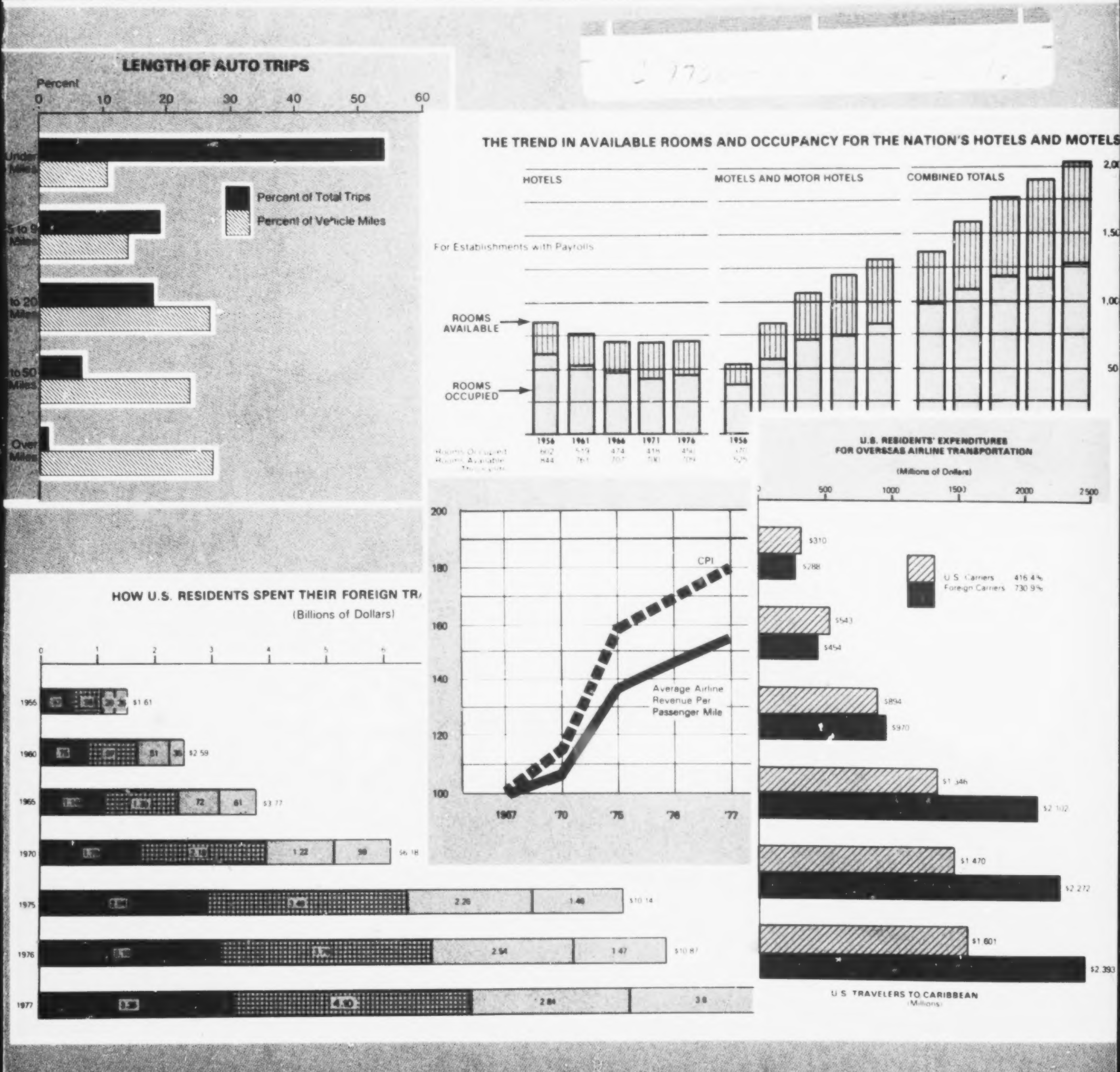
TRAVEL MARKET YEARBOOK

THE YEARBOOK OF
TRAVEL FACTS, FIGURES
AND TRENDS

1980



When Birnbaum talks, people leave.

Steve Birnbaum is now Travel Editor of PLAYBOY.

And the people doing the leaving are among the 21 million people who read PLAYBOY each month. Birnbaum's monthly column and major in-depth pieces tell them where to go, how to get there, what to do.

PLAYBOY is happy. Birnbaum is happy. The prestigious travel expert on the *Today* show and all nine CBS all-news radio stations says, "Any travel writer would be thrilled at the prospect of reaching an audience like PLAYBOY's 21 million readers. Not only is that audience vast, but it's precisely the sort of readership that's likely to welcome exciting, innovative travel ideas and really try them out."

Birnbaum is new to PLAYBOY. The kind of editorial service he offers is not. Steve joins such experts as Anson Mount on sports, David Platt on fashion, Tom Owen on lifestyle products. Together, they lay out the options open to men dedicated to getting the most out of life.

Listen to yacht broker—and PLAYBOY reader—Larry White: "Life is really rich with experiences for a guy my age, and if I had the time, I'd enjoy them all. I want to see all the possibilities. Well, the thing I like about PLAYBOY is that they put the options out there for me to choose from. And I'll tell you, if PLAYBOY recommends a place for a vacation or a particular amplifier or a sport jacket, I tend to pay attention. Their recommendations have been right enough times for me."

If that makes PLAYBOY sound like the perfect editorial setting for selling travel, it is.

And the soundest media buy, too.

You reach 2 million more men in PLAYBOY than you do in Time, 3 million more than in either Newsweek or Sports Illustrated. At a lower cost per thousand than in any of them.

Three out of every 10 men who took a domestic air trip last year were PLAYBOY readers, as were 1 out of 4 who flew out of the country.

PLAYBOY *is* the travel market.

The Playboy reader. His lust is for life. And travel is a vital part of it.

Source: PLAYBOY, based on MRI, Fall 1979. PLAYBOY is a mark of Playboy, Reg. U.S. Pat. Off. © 1980, Playboy.

RECESSION INSURANCE

Talk of recession is everywhere. It's either around the corner or already here, according to most analysts... and there's plenty of bad news and bad arithmetic to back them up.

In the face of this, Newsweek recommends the following to smart and aggressive travel advertisers:

KEEP UP YOUR ADVERTISING

Years ago a philosopher said, "stopping your advertising to save money is like stopping your watch to save time." In fact, the value of consistent advertising in tough periods has been proven in dozens of marketing studies for over 50 years. It maintains and builds strength, speeds recovery, directly affects both sales and net income. And most important, it takes advantage of competitive opportunities which recession creates. Recession invites change, and can be exploited in a counter-cyclical way to gain competitive edge and drastically alter share-of-market position.

ADVERTISE IN THE RIGHT PLACE

Newsweek's second recommendation is that you run a significant part of the advertising (which you have decided not to cut) in Newsweek itself.

The travel industry divides naturally into four main advertising segments: Airlines, Hotels/Motels, Car Rentals and Institutional Resorts (which includes government tourism and convention authorities). Newsweek has extraordinary marketing qualifications in all of them:

Airline Advertising—The newsweekly group leads all magazines in advertising revenue, volume and efficiency. Newsweek's individual ranking among all magazines is No. 2. Among the newsweeklies, Newsweek is No. 1 in advertising efficiency in reaching both high-income Adults and Professional/Managerials who are also Domestic and Foreign air travelers.

Hotel/Motel Advertising—Newsweeklies are No. 1 in revenue, No. 2 in efficiency. Newsweek, individually, is No. 2 in both, and most efficient of the newsweeklies in reaching high-income Adults, P/Ms and Hotel/Motel patrons.

Car Rental Advertising—Newsweeklies are No. 1 in advertising revenue and efficiency, No. 2 in advertising volume. Newsweek, individually, is No. 3, 2 and 4. Among the newsweeklies, Newsweek is most efficient in reaching Adults and P/Ms, high-income Adults and P/Ms, high-income car renters.

Institutional Resort Advertising—The Newsweekly group leads overall. Newsweek, individually, is No. 2 in revenue, and No. 1 and No. 2 in efficiency in reaching Foreign-Resort and Domestic-Resort patrons—*among all magazines.*

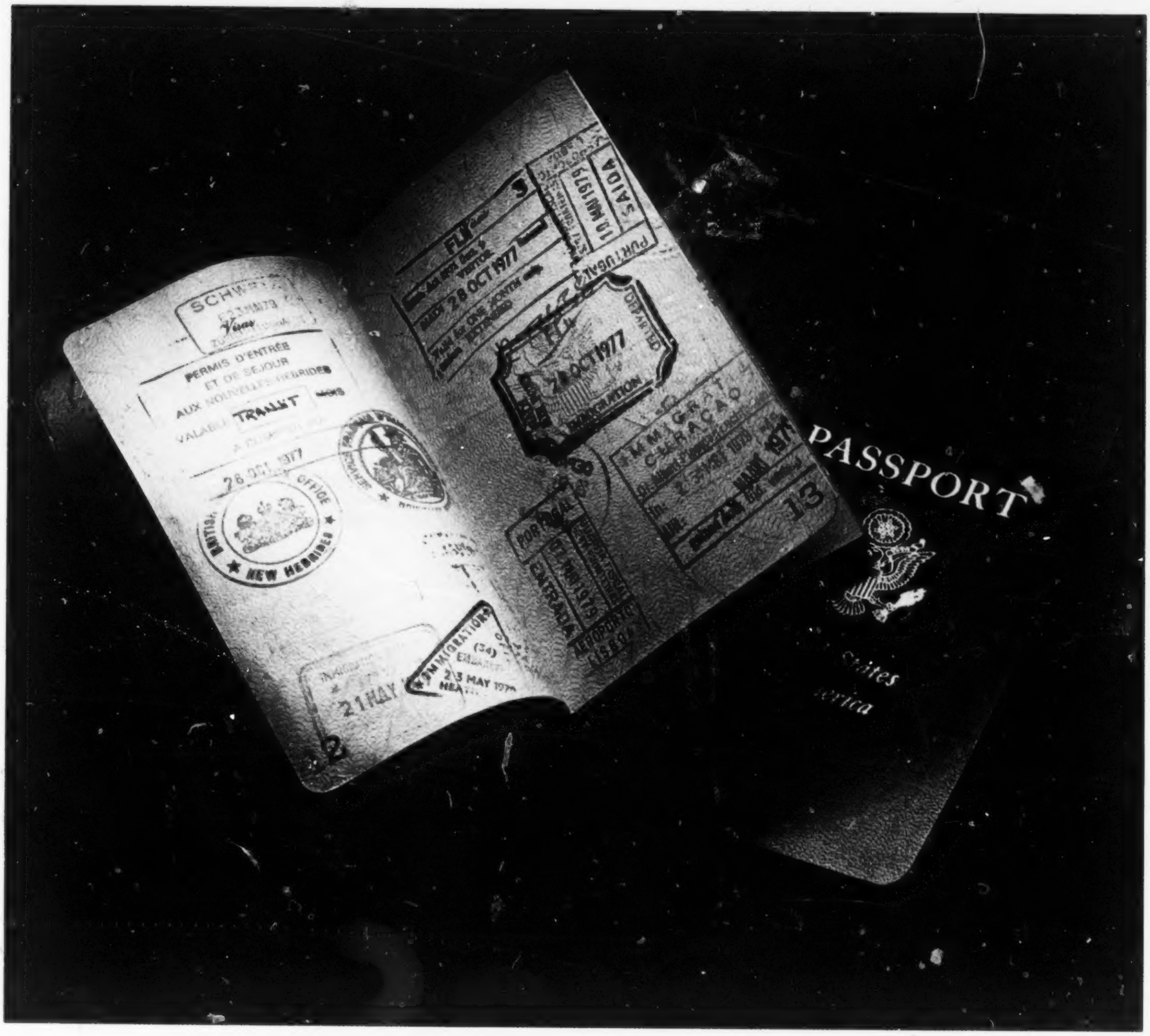
Marketing credentials like those have made Newsweek second among all magazines in Travel Advertising Revenue, and first among the newsweeklies in Travel Advertising Pages.

ADVERTISE NOW

Call your Newsweek representative *today.* Or get in touch with Bob McMurtry, Newsweek's Manager of Travel Advertising, 444 Madison Avenue, New York, N.Y. 10022, (212) 350-2115.

You can depend on Newsweek. It's the magazine that gets you there in good times or bad.

NEWSWEEK



Mom and Pop collect stamps.

The whole world has become a retirement community for millions of mature Americans.

The generations over 50 have $355 *billion* in purchasing power. And they're not sitting on it.

Before they leave our shores, they convert plenty of dollars into goods and services. Luggage. Clothing. Tickets. Guidebooks. Insurance.

You should tap their spending power. Now. How?

The Maturity Magazines Group will give you dominant depth and penetration in this expanding market of over 45 million people. You can buy one, some or all of our five publications.

Modern Maturity has a circulation of 7 million. 82% own their own homes. 85% own 1 or more cars.

Dynamic Years' median income is $20,554.

NRTA Journal gives you 500,000 college-educated subscribers.

AARP News Bulletin and *NRTA News Bulletin* reach 12 million members of the American Assn. of Retired Persons and the Nat'l Retired Teachers Assn.

These Moms and Pops aren't sitting home by the fire. They're out there *spending* because most of their income is now disposable.

And they're open to suggestions. Which you can make in our magazines.

For further detailed information, just call Herb Haas or Jim Sutherland at (212) 599-1880. Or write: Maturity Magazines Group, 420 Lexington Avenue, New York, N.Y. 10017.

MATURITY MAGAZINES

Our prospects are excellent.

Modern Maturity • Dynamic Years • NRTA Journal
AARP News Bulletin • NRTA News Bulletin

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Discover the smart travel market.

They did.

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American Express
Appalachian Wildwater
Braniff
British Airways
British Columbia Govt.
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Canadian Government
Club Mediterranée
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Lufthansa
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Gulf & Western Hotels
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Japan Air Lines
Korean Air Lines
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415 Madison Avenue, New York, N.Y. 10017. Charles Harris, Travel Advertising Manager, (212) 754-0529;
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Atlanta: Charles Crawley, William Reese (404) 256-3800.

Eastern Airlines
Royal Caribbean Cruise Line
General Tours
San Diego Convention & Visitors Bureau
M. L. Grant Inc. Advertising
And 450 Other Travel Organizations Know The Value Of Advertising In Travel/Holiday

"The inquiries continue to pour in with no let up in sight. It's good to know our advertising dollars continue to work and work and work. . . ."

A. Kenneth Istel
Manager-Vacation Advertising
Eastern Airlines

". . . we asked our passengers what magazines they read and **Travel/Holiday** proved to rank among the very highest. That, combined with the lowest "cost per passenger" figures, make **Travel/Holiday** a vehicle of unexcelled value."

William Chambers
Marketing Services Manager
Royal Caribbean Cruise Line

". . . once again, **Travel/Holiday** produced the greatest results of all consumer publications. Thank goodness for your "Reader Service" page with the print-out labels. My typists are going mad with the clipped coupons alone."

Marcy Dell
Director of Advertising
and Public Relations
General Tours, INC

". . . **Travel/Holiday** produced more responses to a single ad than any other publication . . . our coupon conversion study found your readers actually traveled to San Diego in higher numbers than any other national publication."

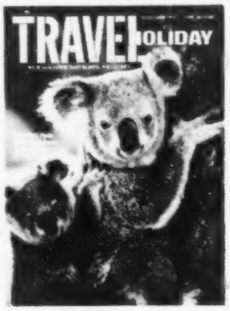
Ronni Hannaman
Director of Visiting Marketing
San Diego Convention and Visitors Bureau

"Both in numbers of inquiries produced and in cost per response **Travel/Holiday** rates very high in the media selection . . . and the replies are still coming in."

George H. Asher
Executive Vice-President
M.L. Grant INC Advertising

Satisfied advertisers like these made 1979 our biggest year ever! TRAVEL/HOLIDAY is a MUST for your media schedule

6,000
high volume
travel agents
read and use
TRAVEL/HOLIDAY
each month



TRAVEL/HOLIDAY
offers what every
advertiser needs: the
highest efficiency on
a cost per thousand
(CPM) basis.

Ruth Halpert
Advertising Manager
Travel/Holiday Magazine
Travel Building,
Floral Park, NY 11001
(516) 352-9700

HOW TO USE THIS BOOK

TRAVEL MARKET YEARBOOK 1980 has been designed for use as an easy reference tool, and a glance at the *Table of Contents* should quickly familiarize you with the subject matter it covers. For the most part, the publication is set up to deal with general information followed by more specific data. Numbered section titles indicate the broad range of material included in the book, while sub-section headings outline more detailed areas of reference.

Because of the confusion created by interspersing explanatory text and graphic data, all textual information in the Yearbook precedes accompanying statistical material. Each graph, table, and chart is numbered according to the section in which it appears. For example, all charts in the transportation section begin with the numeral 3, (3-00). When specific textual reference is made to a chart which follows, the appropriate number is cited.

Within the Yearbook's text, an effort has been made to focus on the most important statistics contained in companion tables. However, this explanatory material also highlights noteworthy data that does not lend itself to graphic representation as well as recent trends and events that apply to the market segment being discussed. Moreover, individual sections include statistical tables and charts to which no reference is made in the accompanying text. When necessary, definitions required to interpret data either follow the text or are inserted as footnotes to illustrations. In addition, source lines accompany all tables.

The *Travel Industry Overview* which opens the book offers a broad perspective of the industry as a whole. It covers events which characterized the market in 1979 and points out trends to watch for in 1980. Similarly, Section 1 — headed *The Travel Market* — takes an overview approach to the world market, the U.S. domestic market, and the U.S. international market.

Section 2, designated *The Consumer*, also focuses on statistics of a basic nature, although they apply specifically to the U.S. traveler. *Demographics* contains particularly valuable and timely data on the American consumer in general, while *Profile of the U.S. Traveler* offers some detailed research on the attitudes and trends which define the consumer within the travel market framework.

The sections devoted to transportation, accommodations, travel services, special markets, and travel advertising are self-explanatory. All deal primarily with the domestic travel industry, but they also give information on both international airlines and hotels. The *Travel Agent* section of the 1980 Yearbook has been greatly expanded in recognition of the increasing importance of this segment of the industry. The *Special Markets* chapter includes the most current figures on traditional markets such as meetings and conventions and honeymoon travel, in addition to statistics on newer markets like casino gambling and resort timesharing.

1979 Industry News Highlights serves as a brief recap of events covered in more detailed form in other parts of the Yearbook. The *Market Briefs* section is a compendium of supplementary data of interest to readers and includes some recent market forecasts and statistical updates on transportation and destinations.

Other features of the 1980 Yearbook are a *Glossary of Travel Terms and Abbreviations* and a list of secondary sources used to compile the data which has been published. There is also an expanded editorial index which covers both graphic and textual material and is arranged according to subject.

While the best attempt has been made to organize the enormous volume of information available on the travel market, space has not permitted us to include everything of interest to the industry within this single publication. Subscribers are urged, therefore, to take advantage of the Finder Service created in conjunction with **TRAVEL MARKET YEARBOOK 1980.** Details on how to utilize this special research feature are contained in the detachable insert enclosed with this edition.

Brit
AFRICA

"They're showing me how to find buried treasure in Yugoslavia."

Mr. Andrew Pesky, President
Zenith Tours Inc., New York City

❝They're fantastic. Young, adventuresome, and they've got money to spend. And they spend it. In Europe, Hawaii, the Caribbean. And they're always looking for someplace new. They've opened up Peru, Africa, Rio and now, Yugoslavia. When we want to know the next 'in' place, they're the ones we watch.❞

FEEL THEIR POWER.

Young. Successful. And free.

They're eighteen to thirty-four years old. And they've got the new power.

You can see it in the way they live. They're the kind of people who are first to travel to new places. And start new trends.

To make small cars big. And new drinks popular. They're the ones making tennis boom. And cameras. And stereos.

They're the new community leaders. And the most educated generation the country's ever seen.

And when they want to learn more about themselves and what makes people tick, four and one half million of them turn to Psychology Today.

In fact, PT has a higher concentration of 18 to 34 year old college educated men and women holding professional and managerial positions than any other magazine with a million-plus circulation.*

Smart advertisers and corporations already know they're the new force in the marketplace and in the community.

You can feel their influence.

P.T. PEOPLE.

PT readers live their dreams today, not tomorrow.

Psychology Today

A Ziff Davis Publication

*Sources: 1978/79 SMRB
1978 Spring TGI

MESSAGE FROM THE PUBLISHER

Virtually every segment of the travel industry is enjoying prosperity as a result of the enthusiastic consumer climate for travel. While good times are evident now, they exist in tandem with a rapidly changing external environment.

No industry is more sensitive to change than travel, and the challenges for travel marketers in this period of transition are mind-boggling. Not only are there uncertainties relating to energy, the economy, the political climate, and industry deregulation, but the consumer, as well, is changing. All of these factors have an effect on the use of travel facilities and attitudes toward the travel experience.

The need to understand and track travel behavior cannot be stressed enough. Improved motivational and behavioral research and reliable trend data are called for to anticipate the demographic and lifestyle shifts that affect the market for travel.

Furthermore, there is an ongoing need for government and private agencies which gather and publish statistical data to make such material available to the industry on a more current basis. As it stands now, with the exception of airline and passport figures, government-released statistics for a specific calendar year are often not available until the end of the following year.

This time of prosperity set against a backdrop of changing travel behavior has created an opportunity to produce more intense research activity and to form the basis for a strong commitment to comparable, ongoing travel trend data.

In this context, a reference book with easily accessible travel facts, figures, and trends is an essential tool for all of us involved in the marketing of travel. *Travel Market Yearbook* is designed to fill this need and to underscore the continuing need for practical, reliable, and up-to-date industry data.

Although some of the material included in the *Yearbook* is accessible to the general public, a large part of it was made available to the editors through the efforts of several individuals engaged in both public and private research. Without their help, it would have been much more difficult to compile timely statistical data of interest to travel marketers.

We would like to acknowledge the assistance of the following people: Stephen W. Brener and George I. David, Helmsley-Spear Hospitality Services, Inc.; John T. Britton, The Hertz Corporation; Carl Burlingame, The CHB Company; Cynthia Chaddick, Visa; Tim Connor, Master Charge; Douglas C. Frechtling, United States Travel Data Center; Tim Gallagher, Al Wolf Associates/Cruise Lines International Association.

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Eileen G. Markowitz
Publisher

The Boston Globe: No. 2 in the country in Hotel and Resort Advertising.

The Boston Globe

Have you seen The Globe today?

A wholly owned subsidiary of Affiliated Publications, Inc.
A Million Market Newspaper. Source: Media Records, 1978.

TRAVEL INDUSTRY OVERVIEW

by William D. Patterson

Historic tides of change were sweeping fiercely through the world of travel as the decade of the 1980s dawned. This pivotal decade, brooding with problems and promises, dangers and opportunities, inherited a heavy burden of momentous change from the turbulent 1970s.

"The hallmark of the 1980s," according to James D. Robinson III, Chairman and Chief Executive Officer of the American Express Company, "may be the rapidity with which markets, economic conditions and technologies change . . . During the next decade we will be faced with a broad spectrum of challenges . . . rising fuel costs (even fuel scarcity), serious inflationary problems, and dramatic monetary fluctuations. There will be heavy competition within our industry and undoubtedly massive shifts in tourist destinations."

The surge of socioeconomic and political upheavals that shattered many of the traditional patterns of global relations during the past decade also disturbed the traditional practices and patterns of world travel in this emerging age of global mobilism. The roster of challenges, opportunities, and risks confronting the travel industry and the world at the start of 1980 is imposing and deserves some elaboration:

The explosive inflation of fuel prices, accompanied by worrisome threats of fuel shortages and compounded by the failure of the Caracas OPEC conference last December to reach an accord on either new oil price increases or production policies this year; the complex impact on the West and the unstable Middle East of Iran's dangerous diplomatic confrontation with the United States; the growing signs of a global recession; the emergence of Communist China as a great tourism magnet and a countervailing presence in Asia to Soviet power; the U.S. campaign to deregulate domestic and international air transport; the tense quest of Israel and Egypt for peace in the face of widespread Arab hostility; the Cuban presence in Africa and the Soviet presence in Cuba are only a few of the issues dividing the world and distracting the travel industry at the start of 1980.

Others are the industry's thrust toward automation and consolidation into larger scale units or networks of travel agents and tour operators; the CAB pressure for open commissions, net fares, and deregulation of travel agencies; the dramatic shift in traditional world travel trends generated by a deflated dollar and worldwide inflation; the intensifying of competition within and with the industry for the consumer's dollar; and the ongoing debate in Washington over the U.S. role in tourism and the need for a national tourism policy.

In the face of these distractions, controversies, and divisive conflicts, world tourism, nevertheless, demonstrated its historic resiliency last year by setting new records in traffic and expenditures, even though the rate of real growth slowed markedly. Preliminary estimates by the World Tourism Organization (WTO) in Madrid indicated international tourist arrivals rose to about 275 million last year, an increase of 3.8% over 1978's record traffic of 265 million arrivals.

WTO also estimated that 1979 destination expenditures by international travelers reached a record $75 billion, up 15.4% from 1978. The total for 1978 was $65 billion, a gain of 24% over 1977's volume of $52.4 billion. It is interesting that the 1979 growth rate in expenditures declined despite the general weakness of the dollar and worldwide inflation. This decline reflected the mounting price resistance of international tourists to the mounting costs of foreign travel. In comparison, domestic arrivals worldwide totaled 1,100 million last year, up 3.4% over 1978's count of 1,063 million which in turn represented a gain of 9% over the previous year.

One country that benefited appreciably from the surging and shifting socioeconomic currents of international tourism last year was the United States. For many years the U.S. has been the country that most people around the globe —

whether in Europe, Asia, South America, Africa, or the Middle East — have wanted to visit. They were deterred from fulfilling this dream trip because the U.S. was widely perceived as a very expensive destination to visit.

In 1978 the exchange weakness of the dollar and the comparatively low rate of inflation in the United States began to turn the U.S. into a bargain destination in the eyes of the residents of many countries, especially those with strong currencies, such as Japan, Germany, The Netherlands, Great Britain, Switzerland, France, Austria, and Australia, and those with strong business relations or political or cultural ties with the United States.

This trend reached flood tide last year when the U.S. became the number one destination in the world. 20,080,000 foreign visitors spent $10.1 billion to visit the United States, an increase in receipts of 19% over 1978. Receipts from 6.9 million overseas visitors amounted to $4.6 billion, rising 28%, and the receipts from foreign travelers on U.S. carriers increased a dramatic 30% to $1.58 billion.

With respect to outbound U.S. tourism, the foreign exchange weakness of the dollar, overseas inflation, and the uncertain course of the U.S. economy tended to slow the flow of U.S. tourists abroad last year, especially to Europe and Japan. Both destination areas encountered a strong wave of price/value resistance in the U.S. market.

Preliminary estimates revealed a marked slackening of the usual vigorous growth of U.S. tourism to Europe. During 1979 Europe overall barely held even with 1978, and there was the strong impression that later data would disclose even a small decline last year in sharp contrast to the 6% to 8% growth originally forecast. Available data at present indicates U.S. tourism to Europe grew barely 2.1% during 1979. The tourist traffic rose slightly to 4,084,000 visitors, a gain of 82,000 over 1978's record total of 4,002,660.

In general it is expected that U.S. travel to overseas countries next year will be influenced negatively by the recession trends in the U.S. economy, by the increased awareness in the U.S. travel market of substantially higher airfares, and by the availability of more attractive price and value bargains closer to home.

Studying the current trends in outbound and inbound U.S. tourism, the U.S. Travel Service in the Department of Commerce made a forecast for the 1980 volume of two-way U.S. international traffic and compared it to their preliminary estimate of U.S. international tourism during 1979. It is worth noting that USTS estimated the 1978 travel deficit of $2.895 billion would be reduced to $2.5 billion in 1979, down 14%, and to $1.8 billion, down 30%, in 1980. It also estimated that the deficit in the number of travelers would be reduced to 2.9 million in 1979, down 11%, and to one million in 1980, down 65%.

Despite the long United Airlines strike, the grounding of the DC-10's, panicky gasoline lines, and a 15% increase in the Travel Price Index during the year, domestic travel in the United States was up 2% in volume during 1979. This vast domestic enterprise accounted last year for an increase of 297,000 travel industry jobs for a total U.S. travel employment level of 6.59 million workers, up 4.7% over 1978.

More than 85 colleges and universities in Canada and the United States are now offering some 92 undergraduate and graduate degree courses on travel and tourism today. This new reservoir of trained, professionally educated personnel is being organized at an opportune moment in the history of travel. The travel industry's growth in scale and complexity, both structurally and technologically, are clearly going to require much larger numbers of highly trained and deeply committed personnel.

In step with the growing partnership between tourism and education is the vital new collaboration between other former adversaries, tourism and environmental and heritage conservationists. Enlightened travel and conservation leaders have begun to recognize that tourism and a destination area's environment and heritage are, in fact, allies not adversaries. This tourism/heritage partnership could be one of the most important developments of this new decade.

The right to travel is in the U.N. Charter on Human Rights and is part of the historic Helsinki freedom and human rights accords. Yet significant freedoms important to the travel industry are being inhibited and restricted today without adequate awareness in the industry of the seriousness of this danger to the well-being of both travel and travelers.

This threat lies in the current emergence of old-fashioned protectionist policies and economic nationalist behavior by various financial institutions and governments in Europe and some developing countries to restrict the freedom to function of modern payments mechanisms and the free flow of data, information, and ideas important to servicing the traveler and his convenience, security, and well-being.

The principal payments mechanisms involved are traveler's checks and credit or charge cards. Traveler's checks are universally used payments instruments, first introduced in 1891. Charge cards, invented in 1950, now number over 600 million in force in the world, of which 500 million are in the United States. These payments mechanisms freely cross national borders today. This is important to the travel business.

Yet European bankers have been urged by some members of the European financial community to enter into an exclusive arrangement to distribute only the Eurocard and to squeeze out all other charge or credit cards. Still other members of the European financial community are ready to discriminate against non-European traveler's checks by charging higher fees to encash them. When private or public institutions restrict the field of payment systems, they also inhibit the freedom of people of all nations to travel to all nations.

There is a growing consensus among economists in general, as well as among those with special interest and knowledge of the travel industry, that 1980 is going to be a year of slackening, indeed slumping, economic activity. There is an awesome array of economic forces at work to make the oncoming recession deeper, more severe, and longer lasting than originally forecast by economists only a few months ago.

The impact on the travel industry will be real and apparent throughout 1980. The Travel Price Index will rise at an annual rate of 13.5% this year, faster than the Consumer Price Index which is expected to rise at a rate of 11.5%. The erosion of consumer income plus higher travel prices may cause some curtailment of travel outlays for weekend and vacation travel and also dampen business travel. Thus, the short-term prospect for any real growth in travel this year is very slight. The year has to be approached with caution, although the long term outlook during the decade can be viewed with at least muted optimism.

Each cent increase in the per gallon price of fuel costs the U.S. trunk airlines $100 million. The price of jet aviation fuel in the past year has risen by approximately 48 cents a gallon or $4.8 billion for U.S. airlines alone. Yet the current escalation of fares due to inflationary pressures is starting to reach the point where price resistance may reduce passenger sales. This is a critical trend for air transport, not only in this country but abroad as well.

The airlines are also concerned about open commissions, net fares, sales exclusivity for travel agents, and other distribution options. These are also active concerns of travel agents. Agents are not only pressing for higher as well as open commissions, but are beginning to join co-ops, networks, and other forms of larger business organizations to increase their bargaining leverage with the airlines and to enable them to afford extensive automation of their offices and services. Automation is becoming more and more indispensable for success in the agency field today, and it will be the name of the game in the future.

The debate over deregulation of the U.S. air transport system continued with a lively, biting mixture of wit and passion between airline executives and the CAB during 1979. Each side claimed credit for the current achievements in traffic, profits, new services on new routes, the spectacular growth of commuter airlines and the plague of discount fares, while blaming the other for the confusion over fares, the decline of service to passengers, airport congestion, route abandonment, rebellious agents, public worries over airline safety, rising fares and reduced profits, the erosion of the world's greatest domestic airline system, and the damaging battle with IATA over the remarkable international airline system. The only thing neither side blamed the other for was the steady escalation of fuel prices.

Marvin Cohen, CAB Chairman, in various forums last year offered articulate, reasoned exposition of the gains and achievements the airlines have experienced under deregulation while airline executives equally vigorously rebutted his arguments with their own evidence and audible distress over the "dismantling" of the nation's air transport system and the loss of air service being experienced by communities and customers alike. The case and evidence, in fact, are not yet in for either side.

Yet many airlines have new routes even as many communities have lost their air service. Mergers have been approved that created strong airlines out of smaller airlines as in the case of Republic Airlines. The dramatic struggle of Pan American World Airways and National Airlines to achieve their $425 million merger of an international and domestic trunk airline, which has now been approved by the White House, would most likely have been impossible without deregulation.

In this new decade of experimentation and change that is opening for the travel industry, the firing line for debate, deregulation or regulatory change, government intervention or support lies in Washington. For a long time the voice of the travel industry in Washington was neither raised nor heard effectively, because in place of one strong clear voice speaking for travel and tourism, many voices were heard speaking for individual fragments of this complex, highly diversified industry.

However, within recent years, the industry has slowly and steadily improved the statement of its case, increased its share of official awareness in the competitive clamor of Washington, and begun to develop a larger, rapidly growing, and more effective constituency both in Washington and many state capitals.

There is other evidence of travel's new sophistication and growing interest in presenting its case in Washington. ASTA is now organizing its own political action committee, ASTAPAC, to strengthen its voice in the political arena. The long aloof and disinterested attitude of the House of Representatives and of much of the Senate to the socioeconomic or political importance of tourism among the nation's concerns has shifted dramatically, thanks to the responsive leadership of Senator Daniel K. Inouye of Hawaii, Senator Howard Cannon of Nevada, and new voices like Representatives James Florio of New Jersey, Jim Santini of Nevada, and John Jenrette, Jr. of South Carolina.

Furthermore, Washington has recognized that travel is an important part of the service sector of the U.S. economy, a sector that, in fact, is the fastest growing part of our national economy today in terms of employment, trade, and share of the gross national product. The Carter Administration has specifically announced that it has created a service sector position within the office of the President's Special Trade Representative, giving travel direct access to this important area of national policy shaping our foreign trade programs.

In the far-flung tourist capitals of the world a somewhat similar effort is going forward to hold high the banner of a new era of achievement and service by the travel and tourism industry on a global scale. After years of thought and dedicated preparation a World Tourism Conference, the first in twenty-five years at an intergovernmental level, will be opened September 27, 1980 in Manila under the auspices of the World Tourism Organization, an executing agency of the United Nations, with the government of the Philippines as the official host.

The basic purpose of the conference is to review the broad role and progress of tourism in the world during the 25 years since the first intergovernmental conference was organized by the United Nations in Rome in 1954. That conference made a historic contribution to defining the place, the role, and the importance of tourism for the first time for heads of state, for their governments, and for other national leaders and officials.

It is the sense of WTO that the future place and role of tourism and leisure in the modern world, their relationship to the world's heritage, culture, economy and environment, and their contribution to the well-being of the world's people need to be clarified, defined, and dramatized in a way to help insure and focus a broad constructive role for travel, tourism, and leisure in modern society.

In the past, bringing people together was a nicety. In the Atomic Age, it is an absolute necessity. This being the case, the travel industry must work together to fulfill the legitimate expectations of people to travel with security and satisfaction, enlightment and wonder over this planet we call home. It is a noble role and a noble goal. And that is a good note on which to go forward as the travel industry enters the dangerous, difficult, turbulent, challenging decade of the 1980s.

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THE TRAVEL MARKET

WORLD MARKET

According to forecasts made by the World Tourism Organization, international tourist arrivals on a worldwide basis should reach 275 million in 1979, a 6.6% increase over the 259 million counted in 1978. Tourist receipts, expressed in United States dollars, should increase by 15.4% over 1978 to total $75 billion.

Although global tourism growth in 1978 was not as dramatic as it was during the preceding year, statistics reveal continued upward trends. International arrivals grew by 6.4% worldwide, with the Asia and Pacific region exhibiting the greatest increase, 17.6%. (1-01) Africa experienced a 10% increase in arrivals, followed by the Middle East at 8.6%, Europe at 6%, and the Americas at 5.5%. Only South Asia showed a decline of 2.5%, although this was attributed primarily to political turmoil in Iran.

In terms of international receipts, global totals in 1978 jumped by 24% to $65 billion U.S. Moreover, 1978 tourism revenues increased faster than international trade, representing over 5% of the global value of total exports. The relatively substantial leap in tourist receipts, as compared with arrivals, was most likely the result of worldwide inflation as well as the decline in value of the U.S. dollar in which revenues are expressed.

Again, the Asia/Pacific area was number one on the basis of percentage growth in receipts, with a 29% increase in tourist dollars spent. (1-02) Europe added some $10 billion to its tourism account, a 27% increase, while Africa, the Middle East, and the Americas also recorded solid growth. South Asia receipts, however, fell off by 9%.

Tourism in Europe

A look at the distribution of international arrivals and receipts reveals that Europe continued to represent the main benefactor of global travel in 1978. Its 189 million arrivals accounted for a 73% share of the total market, and its $44 billion in receipts accounted for nearly 68% of the total number of dollars spent for travel around the world. Nevertheless, the comparatively high figures for both arrivals and receipts resulted in large part from the intra-regional flow of tourists that has always characterized the European market.

Countries in Europe which topped the list in absolute numbers of arrivals in 1978 were France, Spain, Italy, Austria, and the United Kingdom. Those showing the greatest percentage increases in arrivals included Hungary (+38%), Romania (+36%), and Portugal (+23%), while those experiencing declines were Belgium (−10%), Switzerland (−6%), and Turkey (−4%).

Still, most European countries benefited from higher tourist receipts in 1978 than in 1977. Portugal took in 48% more dollars from tourism, Spain 37% more, France and Greece 35% more, and Italy 32% more (1-03). At the same time, expenditures increased to an even greater extent in some countries — among them, the United Kingdom, Greece, Switzerland, the Netherlands.

Tourism in the Caribbean

In the Caribbean, where local economies are especially dependent upon tourism, 1978 proved to be a good year, with a 15% increase in foreign arrivals. (1-07) Cruises, in particular, boosted visitor counts in Grenada and Haiti, where tourists from ships were responsible for more than half of the total arrivals. Additional popular cruise destinations were the U.S. Virgin Islands, Puerto Rico, Jamaica, Martinique, Barbados, St. Maarten, and Aruba.

On the other hand, air arrivals in the Caribbean were heaviest in Puerto Rico, Venezuela, the U.S. Virgins, the Dominican Republic, and Jamaica. Substantial increases in visitors arriving by all modes of transportation occurred in the Turks and Caicos, Jamaica, Haiti, and the British Virgin

Islands, largely due to stepped up promotional efforts and the public's desire for unspoiled island destinations.

Tourism in the U.S.

Although both international and domestic tourism in the United States is covered in detail in subsequent sections, a comparison between U.S. and worldwide tourist arrivals, expenditures, and receipts is appropriate here. In 1978, arrivals of 19.8 million visitors in the U.S. represented a 7.6% share of global arrivals, a portion which has remained virtually unchanged since 1975. (1-04) And while U.S. receipts increased to $8.5 billion, they actually accounted for only 13% of worldwide receipts, a lower share than in recent years.

At the same time, American travel abroad as well as foreign travel to the U.S. registered noteworthy increases. Over 23 million U.S. citizens traveled to foreign destinations in 1978. These travelers spent $11.4 billion, almost 12% more than they spent in 1977. However, both foreign arrivals and expenditures in the United States increased at an even faster rate. The 19.8 million visitors counted represented a 6.6% jump over those in 1977, while the $8.5 they spent was 18.4% more than was recorded the year before. (1-06)

When U.S. arrivals and departures are taken as a composite, they comprise a more substantial portion of the total world tourism picture — 16.6% of all tourists and 30.6% of expenditures. But even these shares have decreased since 1975, when person trips accounted for 18% of global tourists, and expenditures amounted to almost 37% of global travel receipts.

Future Outlook

Clearly, a slow but sure redistribution of the tourism market is occurring on a worldwide basis. When 1979 figures are final, it is expected that overseas travel by Americans will show less healthy gains than in the past, although World Tourism Organization estimates indicate a 6% rise in foreign travelers to the U.S. (1-05) The 1979 summer season, however, has already shown that worldwide tourism is in a continuing growth pattern.

While the decline in U.S. travel abroad impacted heavily on the United Kingdom, 1979 visitor counts should be close to 1978 figures. France estimates a 6% increase in tourists for 1979, while Italy anticipates 15% more visitors in addition to 22% more in tourist receipts. Switzerland, on the other hand, recorded a 16.5% decline in arrivals for the first half of 1979 — Americans alone down by one-third — obviously due to the expensive Swiss franc.

In general, countries with strong currencies tended to generate more tourists than they took in. For example, American travelers to Japan fell off by 10% in July and August compared to the same months in 1978, while the Japanese themselves spent 79% more on foreign travel during the first four months of 1979 on top of a 73% increase in 1978. The Germans and Swiss also spent more in other countries in 1979 than in 1978, although statistics have not been published yet.

Regardless of where the money comes from and where it is spent, worldwide tourism accounts for a larger proportion of global expenditures each year. Based on speculations that dollars devoted to travel could increase five times over the next 20 years, futurist Herman Kahn of the Hudson Institute has suggested that tourism may become the world's biggest industry in the 21st century. Of course, the availability and cost of fuel will have the strongest impact on the market in the near future. With that in mind — despite the obvious desire to travel which characterizes the world community — it is difficult to predict exactly how fast the industry will be able to grow.

1-01

WORLD TOURIST ARRIVALS
(Millions)

	1977	1978	% Change
Africa	4.50	4.95	+10.0
Americas	45.10	47.50	+ 5.5
Asia and the Pacific	10.20	12.00	+17.6
Europe	178.30	189.00	+ 6.0
Middle East	3.50	3.80	+ 8.6
South Asia*	1.97	1.90	− 2.5
Global Total	**243.60**	**259.10**	**+ 6.4**

**Including Iran.*
Source: World Tourism Organization

1-02

WORLD TOURIST RECEIPTS
(In Billions of U.S. dollars)

	1977	1978	% Change
Africa	1.20	1.50	+25.0
Americas	11.50	13.50	+17.5
Asia and the Pacific	3.10	4.00	+29.0
Europe	34.70	44.00	+27.0
Middle East	1.20	1.45	+20.8
South Asia*	0.66	0.60	− 9.1
Global Total	**52.40**	**65.00**	**+24.0**

**Including Iran.*
Source: World Tourism Organization

1-03

INTERNATIONAL TOURISM RECEIPTS AND EXPENDITURES SELECTED COUNTRIES 1977 VS. 1978

Country	Receipts ($Millions U.S.)			Expenditures ($Millions U.S.)		
	1977	1978	% Change	1977	1978	% Change
Austria	3,748.2	4,716.4	+25.8	2,099.5	2,461.5	+17.7
Belgium/Luxembourg	1,163.1	1,310.0	+12.6	1,889.0	2,177.0	+15.2
Canada	1,616.0	1,722.0	+ 6.6	2,829.0	2,968.0	+ 4.9
Denmark	939.9	1,124.9	+19.7	942.2	1,146.3	+21.7
France	4,384.0	5,903.0	+34.6	3,923.0	4,272.0	+ 8.9
Germany, F.R.	3,972.1	4,813.3	+21.2	10,979.0	14,396.5	+31.1
Greece	981.0	1,326.0	+35.2	89.0	142.0	+59.6
Italy	4,762.0	6,285.0	+32.0	894.0	1,206.0	+34.9
Japan	425.0	470.0	+10.6	2,152.0	3,717.0	+72.7
Mexico	866.5	1,116.8	+28.9	396.0	537.1	+35.6
Norway	485.2	557.7	+14.9	870.3	1,061.1	+21.9
Netherlands	1,110.0	1,254.0	+13.0	2,454.0	3,401.0	+38.6
Portugal	405.0	600.0	+48.1	136.0	162.0	+19.1
Spain	4,003.0	5,488.0	+37.0	533.0	567.0	+ 6.4
Sweden	446.0	538.0	+20.6	1,243.0	1,401.0	+12.7
Switzerland	1,943.0	2,446.0	+25.9	1,114.0	1,668.0	+49.7
United Kingdom	3,803.0	4,464.0	+17.4	1,918.0	2,813.0	+66.7

Source: World Tourism Organization

1-04

U.S. SHARE OF TOTAL INTERNATIONAL TRAVEL MARKET 1964-1978

	Total International Travel		International Travel to the United States		U.S. Share of International Travel	
Year	International Tourist Arrivals (in Millions)	International Total Receipts* (in Billions)	Arrivals in the U.S. (in Millions)	U.S. Travel Receipts (in Millions)	Share of Total Arrivals	Share of Total Dollars
1964	108.0	$ 9.6	6.6	$1,357	6.1%	13.6%
1968	139.7	13.8	10.8	2,035	7.8	14.5
1970	168.4	17.9	13.1	2,708	7.8	15.1
1972	198.0	24.2	13.1	3,311	6.6	13.7
1973	215.0	27.6	14.0	4,130	6.5	15.0
1974	209.2	29.0	14.1	4,845	6.7	16.7
1975**	213.0	38.8	15.7	5,464	7.4	14.1
1976**	227.0	43.7	17.5	6,679	7.7	15.3
1977**	243.6	52.4	18.6	7,175	7.6	13.7
1978	259.1	65.0	19.8	8,502	7.6	13.1

*Does not include international fare receipts.

**Revised figures

Source: World Tourism Organization: U.S. Department of Commerce, Bureau of Economic Analysis and U.S. Travel Service

1-05

TRENDS OF INTERNATIONAL TOURISM IN 1979

Preliminary estimates on tourist arrivals for whole year 1979 (% increase)

Australia	+10.7%
Philippines	+18.0%
United Kingdom	+ 0.2%
United States	+ 6.0%

Number of tourist arrivals for opening months of 1979 (% increase)

Bahamas	+ 1.3%	(2 months)
Bermuda	+ 8.8%	(4 months)
Canada	+ 0.2%	(3 months)
Cyprus	+42.0%	(5 months)
Egypt	+15.7%	(2 months)
French Polynesia	+13.3%	(5 months)
Hong Kong	+13.3%	(4 months)
India	+ 5.4%	(5 months)
Malta	+33.8%	(4 months)
New Zealand	+ 7.9%	(5 months)
St. Vincent	+27.5%	(3 months)
Spain	+14.0%	(5 months)

Number of tourist nights in hotels for opening months of 1979 (% change)

Denmark	−10.0%	(3 months)
Finland	− 1.0%	(3 months)
Italy*	+16.5%	(4 months)
Jamaica	+15.5%	(2 months)
Switzerland	−19.0%	(4 months)

International tourism receipts for opening months of 1979 (% increase)

Australia	+36.0%	(3 months)
Canada	+10.5%	(3 months)
Denmark	+23.0%	(3 months)
Finland	+ 9.0%	(3 months)
Japan	+25.0%	(4 months)
New Zealand	+15.0%	(4 months)
Spain	+44.6%	(5 months)
Turkey	+ 8.0%	(3 months)

International tourism expenditures for opening months of 1979 (% increase)

Australia	+15.0%	(3 months)
Denmark	+33.0%	(3 months)
Japan	+79.0%	(4 months)
New Zealand	+49.0%	(4 months)

*All types of accommodations.
Source: World Tourism Organization

1-06

PROFILE OF WORLD TOURISM*

World Tourism	Person Trips (000)	% Change	Expenditures	% Change
1975	213.0	+2.0	$38.8 billion	+33.8
1976	219.0	+2.8	$43.6 billion	+12.4
1977	244.0	+11.4	$52.4 billion	+20.2
1978	259.0	+6.1	$65.0 billion	+24.0

U.S. Travel Abroad	Person Trips (000)	% Change	Expenditures**	% Change
1975	22,864	−3.0	$ 8.7 billion	+7.5
1976	21,886	−4.3	$ 9.4 billion	+8.3
1977	22,227	+1.6	$10.2 billion	+8.5
1978	23,076	+3.8	$11.4 billion	+11.8

Foreign Travel to U.S.	Person Trips (000)	% Change	Expenditures	% Change
1975	15,698	+11.2	$ 5.6 billion	+15.7
1976	17,523	+11.6	$ 6.7 billion	+20.3
1977	18,610	+6.2	$ 7.2 billion	+6.6
1978	19,842	+6.6	$ 8.5 billion	+18.4

U.S./FOREIGN COMPOSITE VS. WORLD TOURISM

	Person Trips (000) World Tourism	Person Trips (000) U.S./Foreign	Percent
1975	213.0	38,562	18.1
1976	219.0	39,409	18.0
1977	244.0	40,837	16.7
1978	259.0	42,918	16.6

	Expenditures World Tourism	Expenditures U.S./Foreign	Percent
1975	$38.8 billion	$14.3 billion	36.9
1976	$43.6 billion	$16.1 billion	36.9
1977	$52.4 billion	$17.4 billion	33.2
1978	$65.0 billion	$19.9 billion	30.6

*Figures for 1976 and 1977 are revised.
**Excludes payments to U.S. carriers for foreign travel by U.S. citizens.
Source: World Tourism Organization; U.S. Department of Commerce, U.S. Travel Service and Bureau of Economic Analysis

1-07

ARRIVALS IN THE CARIBBEAN

Country	1978 Arrivals				1977 Arrivals
	By Air	By Sea	By Cruise Ship	Total	Total
Antigua	75,562	1,333	51,942	**128,837**	104,092
Aruba	159,681	4,248	98,030	**261,959**	239,855
Barbados	310,771	6,112	125,988	**442,871**	372,391
Belize	31,056	—	—	**60,587**	55,072
Bonaire	19,755	—	2,626	**22,381**	15,207
B.V.I.	53,488	49,639	2,387	**105,514**	84,929
Dom. Rep.	398,617	—	—	**398,617**	359,940
Guadeloupe	147,627	—	70,524	**218,151**	167,146
Grenada	30,015	2,321	116,331	**148,667**	137,001
Haiti	111,642	—	299,182	**410,824**	282,428
Jamaica	380,837	981	148,644	**532,864**	386,514
Martinique	149,548	—	142,864	**292,412**	288,596
Montserat	11,848	207	3,295	**15,350**	12,741
Puerto Rico*	1,474,342	—	453,280	**1,927,622**	1,821,549
St. Kitts/Nevis	19,698	536	2,092	**22,326**	16,391
St. Maarten	191,490	5,004	105,982	**302,476**	269,545
St. Vincent	35,249	—	20,888	**56,137**	42,005
Surinam	—	—	—	**n.a.**	30,192
Turks & Caicos	—	—	—	**9,627**	5,011
U.S.V.I.	740,231	70,000	547,568	**1,357,799**	1,232,734
Venezuela	783,670	354,220	42,236	**1,180,126**	94,785
TOTALS				**7,895,147 (15% increase over 1977)**	**6,848,124**

**Puerto Rico figures are for the 1977-78 calendar year beginning July.*
Source: Caribbean Tourism Association; Travel Weekly

DOMESTIC MARKET

After registering $120.5 billion in receipts for 1978, the domestic travel market faced the dual challenges of increased costs and fuel shortages in 1979 and will continue to do so in 1980. Clearly, the boom in travel that has characterized the past few years has also created the need for expansion of facilities in all areas of the industry. The question is whether inflation and the unexpected doubling of fuel prices will dampen efforts to sustain the market's growth.

Most of the statistics available on the domestic travel industry are generated by government agencies which do not release figures until months beyond the end of a calendar year. As a result, hard data on 1979 does not even exist yet, and discussion about the state of the market is generally speculative. Still, certain trends have already been determined.

Travel Costs

The U.S. Travel Data Center's Travel Price Index (TPI) — which measures changes in the cost of transportation, accommodations, food, and other services purchased by American travelers — hit 241.3 in August 1979 (1967=100), a 16.9% increase since August 1978 (1-10). This compares with an 11.8% rise in the overall Consumer Price Index for the same time period.

Gasoline ranked first in terms of cost escalation, recording a 46.1% jump since the previous summer. All other components of the TPI also posted substantial increases. The cost of lodgings rose 13.9%, food went up 11.2%, and air, rail, and bus transportation prices escalated by 8 to 9%.

The effects of high fuel costs on the domestic travel market have been documented in the "current travel indicators" published by the U.S. Travel Data Center. (1-09) As of July 1979, demand for gasoline was down 9.3% from the previous year. Similarly, public use of national parks — heavily dependent on gasoline supplies — was down 17%. At the same time, bus traffic (expressed in intercity passenger-miles) rose 8%, and rail passenger traffic (Amtrak passenger-miles) increased by 32.8% over July 1978. Accommodations, food services, and airline traffic maintained upward growth.

1978 Statistics

The Data Center figures clearly indicate that the American traveler is in the process of changing his vacation habits. However, they also suggest that the strong demand for overall travel market services has remained constant. In 1978, U.S. citizens spent $131.9 billion for both domestic and foreign travel (1-08), a 7.8% increase over 1977 and more than they spent on personal care products, tobacco, alcohol, or dining out. Approximate per person expenditures for travel amounted to $600 during the course of the year.

An estimated 574 million person trips (defined as one person taking a trip of at least 100 miles one-way) were recorded in 1978, a rise of 6.4% above the 539,289 million person trips documented by the *1977 National Travel Survey* of the U.S. Census Bureau, the most extensive examination conducted on the domestic travel market since 1972. (1-13) These 574 million people traveled well over 1 trillion passenger-miles (+6%) by automobile, air, bus, and rail, with car transportation alone accounting for 1,158 billion passenger-miles. (1-14)

Virtually all segments of the industry benefited by this surge in demand for tourism services in 1978. A total of $48.1 billion was spent just on transportation, a 13.2% increase over 1977. $19.4 billion was spent on accommodations, a hefty 18.3% more than the year before. The cruise market boomed with an estimated $1.5 billion expended for shipboard vacations. The rental car industry continued to take in additional income amounting to $2.3 billion. (1-15)

Transportation and Accommodations

As in past years, automobile travel accounted for the vast bulk of expenditures on domestic transportation. The $24.3 billion estimated family car bill for 1978 represented a 20.2% share of the total market. (1-11) Airline receipts of $18.8 billion (U.S. scheduled carriers) translated into 15.6% of the market, while rental cars took a 1.9% and cruises a 1.2% share. Bus and rail transportation in 1978 accounted for a combined 1% of total domestic travel expenditures.

Travelers in the United States spent over 18% more on hotel, motel, and resort accommodations in 1978 than in 1977. The $19.4 billion total represented a 16% portion of the market. Available rooms increased from 2.2 to 2.25 million in 1978 and are expected to rise to 2.3 million by the end of 1979. (1-12) National occupancy levels should stand at about 68% when 1979 figures are tallied, 1% above those in 1968.

Domestic Travel in 1980

Details on the current status of the domestic travel market — in terms of consumer vacation patterns, means of transportation, and use of accommodations facilities — appear in Sections 2, 3, and 4 of this volume. However, a general assessment of the travel picture for 1980 would include the following points:

Despite problems with gasoline supplies and prices, people will still want to travel. Chances are that they may choose to vacation closer to home, thus boosting local hotel/motel facilities, restaurants, and sightseeing attractions. Moreover, American tourists will probably be paying more attention to package plan vacations, particularly motorcoach tours.

In general, public transportation will continue to replace the use of the family car. Although the national rail system may suffer cutbacks on less profitable routes, facilities should improve in heavy traffic regions. Bus companies will move to provide a higher class of service in order to attract new and more affluent passengers. The advantages of airline deregulation may be able to offset the problems caused by high jet fuel prices, as long as carriers continue to compete for traffic through the use of promotional fares. The Florida market has already proven that competition can hold down prices on popular routes.

The depreciation of the U.S. dollar against foreign currencies will make domestic destinations more popular with travelers who previously chose to vacation abroad. After many years, the United States is coming into its own as a bargain holiday spot for pleasure travelers originating both here and overseas. People are recognizing the country's historical attractions and natural scenic beauty more than ever before.

Barring economic disaster, all segments of the domestic travel market look forward to a decade of expansion. Airlines anticipate that expenditures of $80 to $113 billion will be required to increase facilities and capacity during the next ten years. U.S. hotels will add over 150 properties with 26,000 rooms by 1990. Cruise lines must spend hundreds of millions of dollars for new ships in order to meet the incredible demand for this type of vacation travel. Those in the business of marketing tourism recognize that the American traveler of the 1980's will consider his vacation a necessity rather than a luxury.

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1-08

1978 U.S. TRAVEL MARKET
DOMESTIC AND INTERNATIONAL

	Expenditures ($ Billions)	Person Trips (Millions)
U.S. Domestic Travel	$120.5*	574.0**
U.S. Travel Abroad	11.4	23.1
Total Travel/U.S. Citizens	131.9	597.1
Foreign Travel to the U.S.	8.5	19.8
Grand Total	$140.4	616.9

*Includes fare payments to U.S. carriers for travel abroad.

**Figure not comparable to those published in previous years due to changes in methodology.

Sources: Figures on U.S. travel abroad and foreign travel to U.S. from data compiled by U.S. Department of Commerce, Bureau of Economic Analysis and U.S. Travel Service, based on data supplied by U.S. Department of Justice, Immigration and Naturalization Service and U.S. Department of Transportation, Transportation Systems Center. Person trip figure for domestic travel estimated by the U.S. Travel Data Center. Expenditure figures for domestic travel based on data compiled by government and industry organizations cited in following tables.

1-09

CURRENT TRAVEL INDICATORS

CURRENT TRAVEL INDICATORS	July 1979	% Change from June 1979	% Change from July 1978	Year-to-date % Change 1979/1978
Establishment receipts or retail sales*				
Hotels, motels and other lodging places	$1,791 million	−8.4	7.5	17.9
Amusement and recreation services	$2,004 million	−3.0	3.5	9.5
Eating and drinking places	$6,241 million	1.7	6.4	9.5
Gasoline service stations	$5,896 million	−2.4	20.6	14.8
Demand for commercial lodging				
Hotel/motel occupancy rate	n.a.	n.a.	n.a.	n.a.
Real demand for commercial lodging*	$824.0 million	1.2	−13.4	1.6
Highway traffic volume*				
Main rural road vehicle-miles	49.7 billion	5.2	−8.5	−1.0
Airline passenger traffic				
Domestic revenue passenger-miles	19.4 billion	7.5	11.0	13.8
International revenue passenger-miles	5.7 billion	17.4	21.4	22.1
Rail passenger traffic				
Amtrak passenger-miles	575.2 million	12.0	32.8	24.4
Bus passenger traffic				
Intercity passenger-miles	2.02 billion	17.4	8.0	1.8
Domestic demand for motor gasoline*				
Barrels per day	6874 thousand	−4.0	−9.3	−1.7
Public use of National Parks*				
Visits	38,376,400	29.7	−17.7	−6.7
Overnight stays	3,001,000	35.9	−16.1	−11.1
Foreign arrivals in U.S.				
From overseas	n.a.	n.a.	n.a.	n.a.
From Mexico	n.a.	n.a.	n.a.	n.a.
From Canada	1,377,147	77.8	−29.1	−11.4
Citizen departures to Europe**	577,109	8.2	−1.5	1.6

*Preliminary figures.

**Estimated.

Source: U.S. Travel Data Center based on government and industry figures

1-10

TRENDS IN DOMESTIC TRAVEL COSTS

(% Increase)

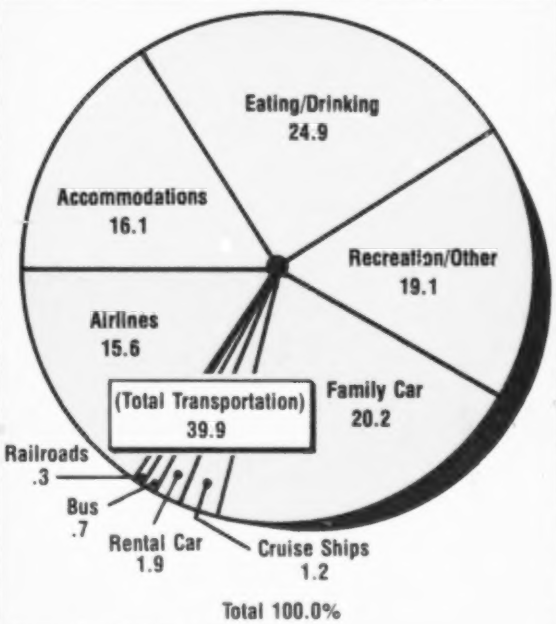
	1976	1977	1978	August 1979
Travel Price Index	6.1	7.0	8.3	16.9
Consumer Price Index	5.8	7.0	7.7	11.8
Food Away From Home	6.8	12.0	9.0	11.2
Hotel/Motel/Resort Rates	8.2	11.0	13.7	13.9
Gasoline	4.2	5.0	4.3	46.1
Rail Transportation	9.1	13.0	7.8	8.8
Air Transportation	8.7	10.5	4.7	8.2
Bus Transportation	5.9	11.0	7.5	8.9

Source: U.S. Travel Data Center

1-11

MARKET SHARES OF THE $120.5 BILLION DOMESTIC TRAVEL INDUSTRY

Market/% of total dollars

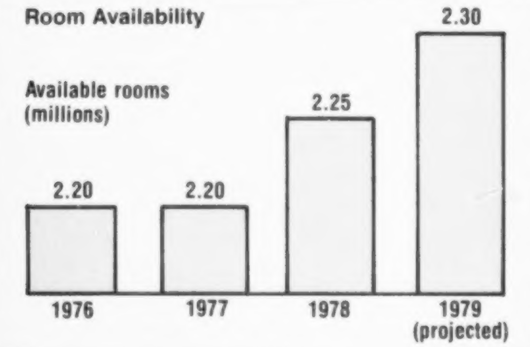


Souces: See Chart No. 1-15

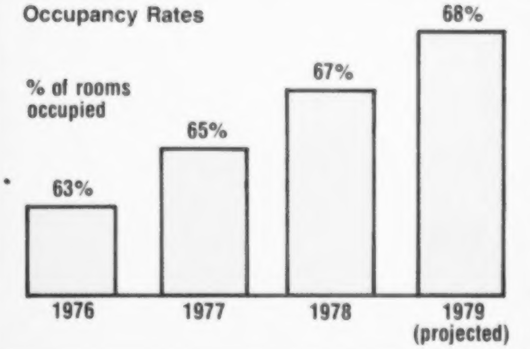
1-12

TRENDS IN DOMESTIC ACCOMMODATIONS MARKET

Room Availability



Occupancy Rates



Source: Harris, Kerr, Forster & Company; Laventhol and Horwath

1-13

DOMESTIC TRAVEL BY SELECTED TRIP CHARACTERISTICS, 1977

	Household Trips* (000)	Person Trips** (000)
Total Trips	**312,532**	**539,289**
Major Means of Transportation		
Auto/truck without camping equipment	222,289	411,023
Auto/truck with camping equipment	13,816	30,983
Bus	11,916	14,959
Train	3,243	4,094
Airplane	52,177	65,662
Other	2,645	6,724
Different means going and returning	6,445	8,884
Main Purpose of Trip		
Visit relatives or friends	100,574	198,479
Business	79,577	94,800
Convention	7,112	10,604
Entertainment	35,820	70,610
Sightseeing	14,307	28,237
Personal or family affairs	36,065	67,164
Shopping or medical	2,900	3,665
Other	14,477	23,990

*One or more members of a household taking a trip together of over 100 miles one way and returning together.

**Number of people taking trips of over 100 miles one way.

Source: U.S. Department of Commerce, Bureau of the Census, 1977 National Travel Survey

1-14

U.S. DOMESTIC TRAVEL
1977 VS. 1978

Means of Transport	Passenger Miles (Billions) 1977r	Passenger Miles (Billions) 1978	% Change 1977/78
Automobile	1102.5	1157.6	+ 5.0
Air	164.2	189.1	+15.2
Bus	17.0	16.3	− 4.1
Rail	5.7	5.6	− 1.7
Total	1289.4	1368.6	+ 6.1
Expenditures	**Billions of Dollars 1977**	**Billions of Dollars 1978**	**% Change 1977/78**
Transportation	$ 42.5	$ 48.1	+13.2
Accommodations	16.4r	19.4	+18.4
Eating/Drinking	33.2	30.0	*
Recreation/Other	21.6	23.0	+ 6.5
Total	$112.0	$120.5	+ 7.6

r–Revised figures.

**Not comparable due to changes in methodology.*

Sources: ***Auto***–*Estimate based on Federal Highway Administration data.* ***Air***–*Transportation Association of America; includes scheduled, non-scheduled, and supplemental carriers.* ***Bus***–*American Bus Association; includes Class I interstate.* ***Rail***–*American Railroad Association; includes Amtrak and Class I, excludes commutations.* ***Accommodations***–*U.S. Department of Commerce.* ***Eating/Drinking***–*Estimate based on National Restaurant Association data.* ***Recreation/Other***–*Based on preliminary estimates from the U.S. Travel Data Center; includes recreation facilities, amusements, and travel incidentals. Sources for transportation expenditures cited in following tables.*

1-15

EXPENDITURES FOR DOMESTIC TRAVEL SERVICES
BY MARKET SEGMENTS 1978

Travel Service	Expenditure ($ Billions)
Transportation	$ 48.10
Airlines	18.80
Railroads	.37
Bus	.83
Cruise Ships*	1.50
Rental Car	2.30
Family Car	24.30
Accommodations	19.40
Eating/Drinking	30.00
Recreation/Other	23.00
TOTAL	$120.50

**Domestic and international.*

Sources: ***Airlines***–*Air Transport Association of America; includes all scheduled U.S. carriers.* ***Railroads***–*American Railroad Association; includes Amtrak and Class I, excludes commutations.* ***Bus***–*American Bus Association; includes Class I interstate and charter.* ***Cruise***–*Cruise Lines International Association Al Wolfe Associates.* ***Rental Car***–*Hertz.* ***Family Car***–*Travel Market Yearbook estimate based on Federal Highway Administration data.* ***Accommodations***–*U.S. Department of Commerce.* ***Eating/Drinking***–*Travel Market Yearbook estimate based on National Restaurant Association data.* ***Recreation/Other***–*Based on preliminary estimates from the U.S. Travel Data Center; includes recreation facilities, amusements, and travel incidentals.*

INTERNATIONAL MARKET U.S. TRAVEL ABROAD

The market for U.S. travel abroad, especially the European market, seems to be softening after many years of sustained, and sometimes phenomenal growth. Escalating costs at foreign destinations, the continuing erosion of the value of the dollar, and the wavering U.S. economy have created an atmosphere of uncertainty as the travel industry faces the 1980 season.

Departures Abroad

A look at 1978 statistics reveals that 23,076,840 Americans traveled to destinations outside the United States, an increase of 5% over 1977. (1-16) However, the number of visitors to Canada, which account for over half of U.S. citizen departures, declined 1%. Because the Canadian market is heavily oriented toward automobile travel, it is not expected to pick up. When 1979 figures are tallied, yet another drop may be recorded.

The American visitor count in Mexico, on the other hand, jumped 19% in 1978. Clearly, travelers from the U.S. chose Mexico as a destination where they could get the best value for dollars spent. Mexico also expects to record a boom year for arrivals from the U.S. in 1979. In addition to a favorable exchange rate, the nation has benefited from bi-lateral air agreements creating over 300 new routes, many of which are now being served.

Aeromexico posted a 14% growth in passengers carried on U.S./Mexico routes in 1979 and is predicting a 30% growth for 1980. Mexicana and the seven U.S.-flag carriers serving the destination are equally optimistic. Mexican tourist officials forecast a jump of over 30% in American travelers arriving by all means of transportation during 1979.

Figures available for January through August 1979 show overall increases in air departures to foreign countries (excluding Canada), but they also document the beginnings of some changes. (1-17) Air departures to Europe for the period were up only 2.1% over 1978. This compares with a 7% rise for the calendar year of 1978 versus 1977. (1-20) And although air departures to the United Kingdom — historically the most popular first point of entry for U.S, overseas travelers (1-23) — were up almost 18% in 1978, they were down by 4.2% for the first eight months of 1979.

Furthermore, according to preliminary statistics compiled by the U.S. Immigration Service, the United States is on its way to becoming less of a tourist-generating country and more a receiving nation for foreign visitors. During fiscal year 1979, the number of aliens entering the U.S. by air reached 8,920,700 — up 27.1% over the previous fiscal year — while citizen departures by air numbered 9,655,247, an increase of only 10.1%. Should the trend continue, foreign air arrivals may very well exceed U.S. citizen air departures before the end of 1980.

Expenditures Abroad

U.S. travel expenditures abroad increased $1.2 billion in 1978 to total $11.4 billion. (1-19) $8.5 billion was spent at foreign destinations, up $1 billion or 14% over 1977. If adjusted for changes in foreign consumer prices and exchange rates, expenditures in constant (1972) dollars increased only 2%. $2.9 billion was paid to foreign-flag carriers for transportation in 1978 (up $.2 billion), while an additional $1.8 billion was spent for transport on U.S.-flag carriers, slightly more than the amount recorded in 1977. (1-18,1-21)

A breakdown of the $8.5 billion paid for expenses at foreign destinations shows that $3.5 billion was spent in Mexico and Canada — a combined increase of 5% over 1977, but an amount representing 42% of total expenditures, down from 47% in 1974. A 21% increase in U.S. travel expenditures overseas greatly outpaced those in Mexico and Canada. Overseas spending amounted to $4.9 billion in 1978, up $.8 billion over the previous year.

Due to inflation in foreign countries as well as dollar depreciation, travel expenditures by U.S. citizens in foreign countries will probably continue to show increases in 1979 despite any decreases in the actual number of Americans travelers abroad. Final figures for foreign travel expenditures are not available until July 1980, however preliminary releases by the Commerce Department suggest a travel bill of approximately $12 billion, with $3 billion devoted to transportation on foreign-flag carriers.

Travel To Europe

51.4% of Americans traveling abroad by air in 1978 — over 4 million people — selected Europe as their primary destination. (1-22) Those nations which offered low air fares and economical land costs posted the largest increases in U.S. citizen arrivals. Besides the United Kingdom, Luxembourg recorded dramatic growth (up 38.8%), primarily because the country serves as the gateway for budget-conscious Icelandic Airlines. (1-20) Spain and Portugal recorded gains of 15.5% and 21.9%, luring Americans with moderate prices for land features. Similarly, Russia and Yugoslavia, as well as other eastern European nations, experienced increases due to the availability of bargain ground arrangements.

Not unexpectedly, declines in visitor counts were registered by European destinations whose strong currencies made the U.S. dollar worth less than ever before. Downward growth occurred in Austria (−23.3%), Switzerland (−12.6%), and

Denmark (−6.6%). The Netherlands and Belgium experienced off years as gateways due to a decrease in the availability of cheap charter flights.

Travel to Europe during the peak season of 1979 was clearly down in many countries. Estimates from Austria, Britain, Denmark, and Switzerland showed fewer U.S. visitors than in 1978. According to the Swiss National Tourist Office, the number of American tourists fell off by 32%. Austrian officials have forecasted a 10% decline, as have those in Denmark. France expects to document a slight dip, while West German sources suggest no change in the U.S. visitor count.

The British Tourist Authority blames a high sales tax, rising fuel and hotel costs, and the devalued dollar for a 12% decline in the number of North American tourists that is anticipated when 1979 figures are tallied. At the same time, tourism officials in Italy, Greece, Czechoslovakia, and Portugal are predicting increased receipts and arrivals thanks to travel by U.S. citizens.

Nevertheless, the European Travel Commission is forecasting a limited 1% growth figure overall for 1979. Speaking at a panel discussion sponsored by the Commission at the 1979 ASTA World Travel Congress, TWA executive James Callery predicted that 1980 would witness a negative growth of 4 to 10% in the European market. He cautioned that the precarious U.S. economy and the fuel situation would make it difficult for airlines to offer competitive bargain fares on the North Atlantic. In fact, he suggested that TWA expects to carry more non-U.S. citizens than citizens on transatlantic routes during 1980.

Other market suppliers are more optimistic. Some airline officials feel that deregulation will continue to result in new routes and new carriers that will aid traffic stimulation. Certain tour operators will be trying to put together more prepaid package plans to help insulate American travelers from fluctuations in currency exchange rates. Travel wholesalers will also be investigating arrangements with budget lodging facilities with an eye toward reducing land costs.

Travel to Other Overseas Destinations

The Caribbean and the Atlantic Islands have always been popular with travelers from the United States, and 1978 was no exception. Air arrivals alone rose 11% over 1977. (1-25) Substantial increases in expenditures were posted in Bermuda, the Bahamas, and Jamaica. Selected statistics that are available for 1979 suggest continued success.

Jamaica projects a 20% increase in tourist arrivals, most of whom originate in the U.S. The Cayman Islands have experienced a 35.5% rise in visitors for the first half of 1979. Figures through July 1979 show a 17.5% increase in cruise passengers to the Virgin Islands. Bermuda and the Bahamas have enjoyed growth as well. The 1979 summer season in Bermuda was the best recorded in eight years, and U.S. visitors rose 8.2% during the first eight months of the year. Air/sea arrivals in the Bahamas gained 6% for the first six months of 1979.

South America experienced an 8.2% increase in U.S. visitors and a 20% increase in receipts in 1978. Central America documented a 5.6% rise in U.S. arrivals. Both regions anticipate moderate growth for 1979, particularly South American countries which hope new air service and promotional fares will generate more interest in them as vacation destinations. The tourist situation in Central America has been dampened somewhat by political developments in Nicaragua and El Salvador. However, traffic to Costa Rica, Panama, Guatemala, and Honduras has been holding up.

Tourist officials in Egypt and Israel remain optimistic that 1979 travel statistics will reveal substantial growth. New hotel facilities, additional air service, and a better variety of package plans should work together to improve the tourism picture. Figures tabulated by the Israel government tourist office show a 4% increase in U.S. visitors for the first eight months of 1979, with August alone registering a whopping 55% leap in American arrivals.

After a modest 5.4% growth in U.S. citizen arrivals for 1978, Africa still anticipates upward trends in traffic due to its continuing appeal to the affluent side of the American market. On the other hand, the weakness of the U.S. dollar may cut into growth of destinations in the Orient. Japan experienced a 4.8% decline in United States citizen arrivals in 1978, and so far, the situation has changed very little.

The eight South Pacific countries which comprise Oceania made healthy strides in the U.S. international market in 1978 with a 13% increase in arrivals. Australia and New Zealand combined received almost 34% more in U.S. dollars spent for tourism services than in 1977. Figures for 1979 reveal rises in the number of American tourists ranging from 5 to 16% above previous year totals.

The Future

The continued growth of markets for U.S. travel abroad depends so heavily on economic factors that it is almost impossible to make predictions for the future. The challenge is in the hands of the airlines, hotels, tourist organizations, and tour operators who create travel products and promote them. If the buying power of the U.S. dollar continues to fall, Americans will undoubtedly respond by turning to budget packages and bargain destinations. Clearly, they will also be considering domestic vacations as viable alternatives.

1-16

U.S. TRAVEL ABROAD 1978 AT A GLANCE

Total person trips:	23,076,840	(+5%)
To Canada:	12,043,463	(−1%)
To Mexico:	3,250,000	(+19%)
To Overseas:*	7,783,377	(+8%)
Total expenditures:**	**$13.155 Billion**	**(+10.3%)**
Transportation (Foreign carriers):	$2.922 Billion	
Transportation (U.S. carriers):	$1.758 Billion	
Expenditures at destinations:	$8.475 Billion	

**Figure is for air travel only.*

***Includes $1.758 billion paid to U.S. carriers for transportation abroad. This is not considered part of international travel account since these dollars remain in the U.S. Actual amount paid to foreign countries for travel abroad is $11.397 billion (+11.7%).*

Source: U.S. Department of Commerce, Bureau of Economic Analysis and U.S. Travel Service based on data from U.S. Immigration and Naturalization Service, Statistics Canada, and Banco de Mexico.

1-17

U.S. CITIZEN AIR TRAVEL OVERSEAS JANUARY TO AUGUST 1979 VS. 1978

	1978	1979	% Change
All Countries*	6,400,590	7,163,146	+11.9
Europe	2,820,099	2,878,642	+ 2.1
United Kingdom	1,007,885	965,843	− 4.2
Germany	374,149	373,725	− .1
France	225,261	236,748	+ 5.1
Italy	252,039	264,674	+ 5.0
Netherlands	136,222	148,421	+ 9.0
Japan	204,055	208,782	+ 2.3

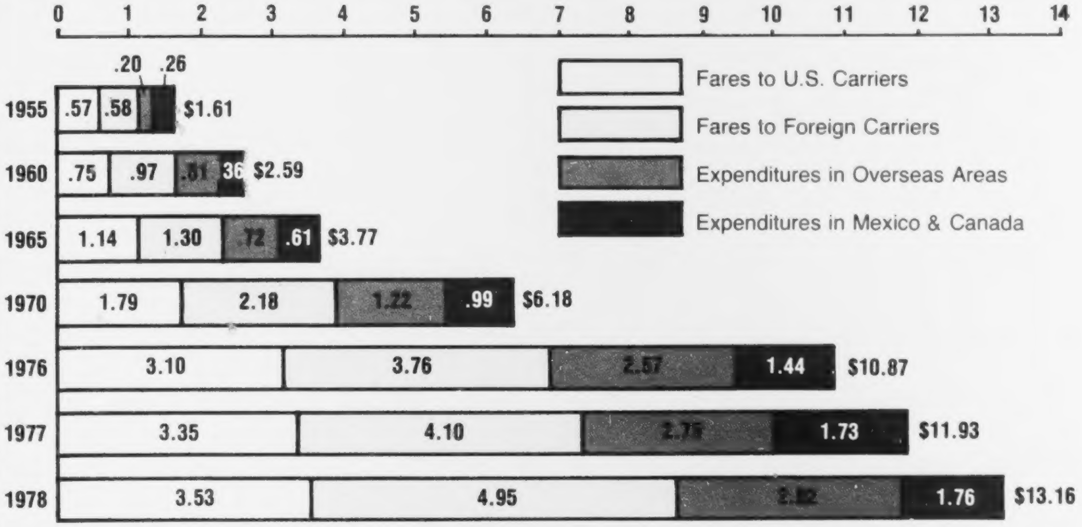
**Excludes Canada.*

Source: U.S. Department of Transportation, Transportation Systems Center based on data from U.S. Department of Justice, Immigration and Naturalization Service

1-18

HOW U.S. RESIDENTS SPENT THEIR FOREIGN TRAVEL DOLLARS 1955-1978*

(Billions of Dollars)



**Excludes travel by military personnel, government employees stationed abroad, and U.S. citizens residing abroad. Includes shore expenditures of cruise travelers. Excludes fares paid by emigrant aliens.*

Source: U.S. Department of Commerce, Bureau of Economic Analysis

1-19

EXPENDITURES OF U.S. TRAVELERS ABROAD 1974-1978

(Millions of dollars)

	1974	1975	1976	1977[1]	1978
Total expenses[2]	9,406	10,143	10,868	11,924	13,155
Transportation fare payments	3,426	3,726	4,012	4,473	4,680
Foreign-flag carriers	2,095	2,263	2,568	2,748	2,922
U.S.-flag carriers	1,331	1,463	1,444	1,725	1,758
Total travel payments in foreign countries	5,980	6,417	6,856	7,451	8,475
Canada	1,359	1,306	1,371	1,433	1,407
Mexico	1,475	1,637	1,723	1,918	2,121
Mexican border area	904	1,047	1,007	1,165	1,128
Overseas	3,146	3,474	3,762	4,100	4,947
Europe and Mediterranean[3]	1,802	1,918	2,150	2,398	2,942
Western Europe	1,600	1,709	1,885	2,103	2,600
United Kingdom	368	404	494	585	771
France	198	226	254	233	287
Italy	188	194	207	240	260
Switzerland	117	121	129	145	153
Germany	153	174	195	203	220
Austria	61	65	70	73	75
Denmark	43	43	38	51	70
Sweden	32	29	37	40	52
Norway	31	44	40	37	49
Netherlands	47	60	58	49	65
Belgium-Luxembourg	31	39	35	34	37
Spain	138	135	117	151	213
Portugal	36	19	14	37	53
Ireland	47	55	83	97	110
Greece	84	73	90	102	140
Other Western Europe	26	28	24	26	45
Other Europe and Mediterranean	202	209	265	295	342
Israel	95	57	118	146	144
Other	107	152	147	149	198
Caribbean and Central America	685	787	784	790	888
Bermuda	110	118	133	123	136
Bahamas	151	161	168	158	198
Jamaica	122	118	109	100	118
Other British West Indies	87	103	125	144	153
Netherlands West Indies	60	97	102	106	114
Other West Indies and Central America	155	190	147	159	169
South America	209	242	232	254	306
Other areas	450	527	596	658	811
Japan	102	131	145	149	155
Hong Kong	75	75	74	87	113
Australia-New Zealand	55	54	82	92	123
Other	218	267	295	330	420

[1] *Revised figures.*

[2] *Includes fare payments to transoceanic carriers and shore expenditures of cruise travelers.*

[3] *Includes all European countries, Algeria, Cyprus, Egypt, Israel, Lebanon, Libya, Malta, Morocco, Syria, Tunisia, and Turkey.*

Source: U.S. Department of Commerce, Bureau of Economic Analysis

1-20

U.S. CITIZEN AIR TRAVEL TO FOREIGN COUNTRIES BY FIRST POINTS OF ENTRY 1978

Destination	Total Departures	% Change 1977/78
Europe	**4,002,635**	**7.0**
Austria	15,716	−23.3
Belgium	50,838	−8.1
Denmark	97,692	−6.6
Finland	13,698	11.2
France	319,515	−.2
Germany-West	531,975	2.9
Greece	155,300	7.5
Iceland	51,226	−13.4
Ireland	159,927	3.3
Italy	357,739	5.2
Luxembourg	24,691	38.8
Netherlands	188,666	−2.9
Norway	17,084	−14.0
Portugal	77,952	21.9
Spain	217,078	15.5
Sweden	18,145	23.6
Switzerland	181,135	−12.6
USSR	14,626	26.0
United Kingdom	1,452,043	17.7
Yugoslavia	15,555	22.0
Others	42,034	11.7
South America	**439,532**	**8.2**
Central America	**255,991**	**5.6**
Caribbean	**2,091,216**	**11.2**
Asia	**747,714**	**6.2**
Israel	122,396	−1.6
Japan	319,414	−4.8
Oceania	**167,983**	**13.1**
Africa	**78,306**	**5.4**
Total Overseas	**7,783,377**	**8.1**
Mexico	**1,401,523**	**30.1**
All Countries*	**9,184,900**	**11.0**

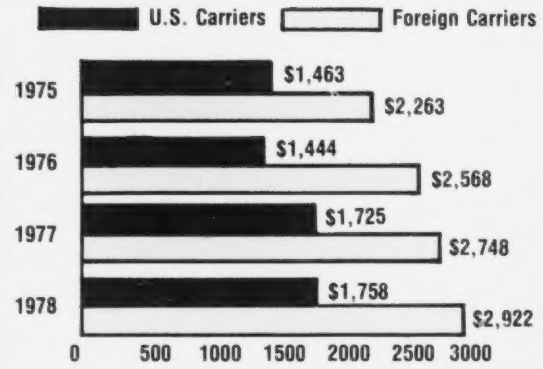
*Excludes Canada

Source: U.S. Department of Commerce, U.S. Travel Service and U.S. Department of Transportation, Transportation Systems Center

1-21

U.S. RESIDENTS' EXPENDITURES FOR OVERSEAS TRANSPORTATION 1975-1978

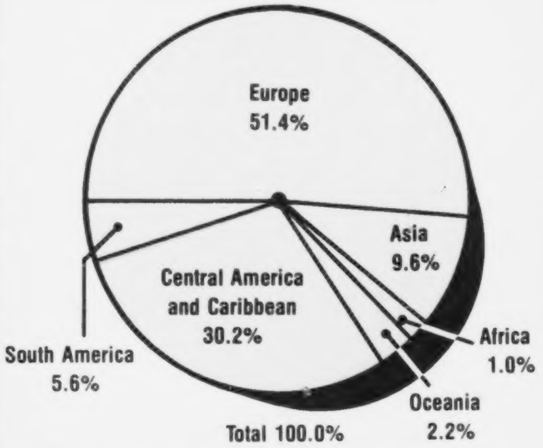
(Millions of Dollars)



Source: U.S. Department of Commerce, Bureau of Economic Analysis

1-22

U.S. CITIZEN AIR DEPARTURES OVERSEAS 1978 SHARE OF WORLD AREAS



Source: U.S. Department of Commerce, U.S. Travel Service and U.S. Department of Transportation, Transportation Systems Center

1-23

TOP 10 FIRST POINTS OF ENTRY FOR U.S. CITIZENS TRAVELING ABROAD*

Country Debarkation	1960	% of Total	1976	% of Total	1977	% of Total	1978	% of Total
Mexico	167,852	12.6	1,005,277	13.0	1,078,077	13.4	1,401,523	15.3
United Kingdom	240,719	13.1	1,063,493	13.7	1,234,847	14.3	1,452,043	15.8
Bahamas	232,285	12.6	563,636	7.3	555,458	6.4	671,760	7.3
Germany	149,046	8.1	471,449	6.1	517,096	7.1	531,975	5.8
Bermuda	103,312	5.6	393,249	5.1	388,118	4.5	376,746	4.1
Japan	70,113	3.8	323,780	4.2	335,431	5.3	319,414	3.5
Italy	85,584	4.7	303,046	3.9	340,384	4.2	357,739	3.9
Jamaica	56,600E	3.1	232,154	3.0	195,074	2.1	253,414	2.8
France	149,733	8.1	289,861	3.7	320,698	4.4	319,515	3.5
Spain	24,018	1.3	187,001	2.4	188,843	3.1	217,078	2.4
Total Top Ten	1,279,262	69.5	4,832,946	62.4	5,154,026	64.8	5,901,207	64.4
Grand Total*	**1,840,298**	**100.0**	**7,754,577**	**100.0**	**8,277,038**	**100.0**	**9,184,900**	**100.0**

E-Estimated.

Excludes travel to Canada. Figures are for air travel only.

Source: U.S. Department of Transportation, Transportation Systems Center based on data from U.S. Department of Justice, Immigration and Naturalization Service

1-24

U.S. CITIZEN DEPARTURES TO EUROPE BY MONTH

Month	Number	% Change Over Previous Year
January 1978	187,615	−11
February	155,243	+11
March	239,084	+15
April	262,909	+ 1
May	416,480	+ 5
June	508,064	+ 2
July	563,384	+ 8
August	430,458	+ 7
September	481,953	+ 7
October	275,816	− 4
November	178,765	+ 8
December	210,191	+ 7
January 1979	200,063	+ 7
February	151,096	− 3
March	230,744	− 3
April	311,113	+18
May	409,471	− 2
June	533,326*	+ 5
July	555,000 (est.)	− 1
August	421,000 (est.)	− 2
September	468,000 (est.)	− 3

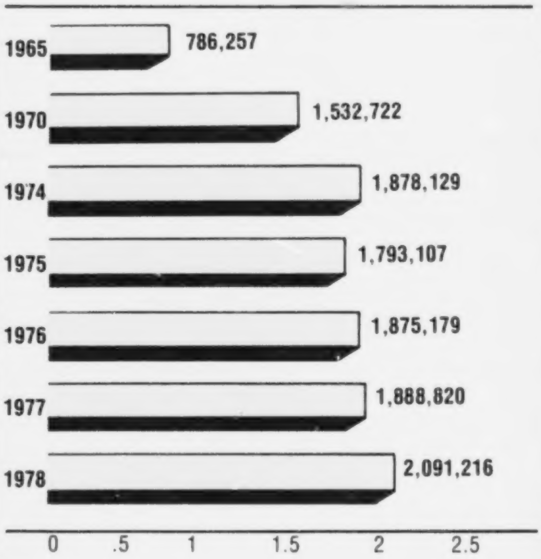
*Preliminary figure.

Source: U.S. Department of State, Passport Bureau based on data from U.S. Department of Transportation, Transportation Systems Center

1-25

U.S. AIR TRAVELERS TO THE CARIBBEAN 1965-1978

(Millions)



Source: U.S. Department of Commerce, U.S. Travel Service and U.S. Department of Transportation, Transportation Systems Center

1-26

BASIC PASSPORT FACTS 1978

Total U.S. passports currently held: 13,900,000
1978 applications and renewals: 3,234,471

Passports Issued by Season

1978	Total	Percent	% Change 77/78
January-March	835,684	25.8	+10
April-June	1,102,371	34.0	+ 2
July-September	794,533	24.5	+ 4
October-December	501,883	15.5	—

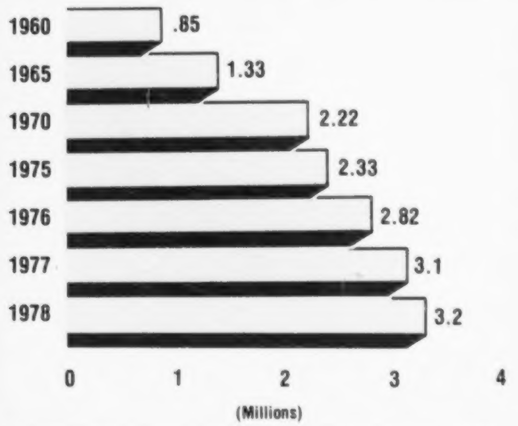
Major Areas of First Destination for Passport Holders, 1978

	Percent
Europe	77.00
Far East	5.25
North, Central, and South America	9.00
Mid-East	4.50
Australia/Oceania	3.25
Africa	1.00
	100.00

Source: U.S. Department of State, Passport Bureau

1-27

GROWTH OF PASSPORTS ISSUED AND RENEWED* 1960-1978



**Renewals were eliminated Aug. 1968*
Source: U.S. Department of State, Passport Bureau

INTERNATIONAL MARKET FOREIGN TRAVEL TO THE U.S.

A total of 19,842,000 foreign visitors traveled to the United States in 1978, an increase of some 1.5 million (+6.6%) over 1977. (1-29) While projected arrivals for 1979 reveal slightly less growth — 20,500,000 visitors, up 3.5% — it is clear that the upward trend in foreign tourism will continue into 1980. (1-28)

The reasons behind this growth are simple: the declining value of the U.S. dollar and the availability of bargain air fares have made the United States an economical destination, particularly for Europeans. Even during the peak summer season of 1979, airline tickets from Europe sold for as low as $330 roundtrip. There were also "Visit U.S.A." air fares, offering 40% discounts for foreign travelers using domestic flights. And ironically, the cost of gasoline in this country still seemed inexpensive to Europeans accustomed to paying twice the price.

European Visitors

The number of European arrivals in 1978 rose by 31.8% over the previous year to total almost 2.5 million visitors. (1-32) The United Kingdom generated most of these tourists — 757,127 — a dramatic 42% increase. (1-34) Figures for fiscal year 1979 already reveal a 29.8% increase in European arrivals, and estimates set the final statistics for British visitors at 1 million (+32%), putting the U.K. in close competition with Japan to rank as the primary overseas generator of tourists to this country.

Similarly, arrivals from Germany and France — which grew by 31.8% and 20.5% respectively in 1978 — are expected to rise by 19% and 21% in 1979. As mentioned in the discussion of U.S. travel abroad, if current trends continue, alien arrivals from Europe should outnumber citizen departures to that destination in the near future. Latest statistics indicate that August 1979 registered a 19.5% increase in European visitors as compared to a rise of less than 2% in United States citizen departures to the U.K. and the Continent.

According to forecasts made by the U.S. Travel Service, the United States will continue to experience strong growth in tourist arrivals from Europe in 1980. It is anticipated that the United Kingdom visitor count will total 1.25 million, a 25% increase over 1979 that will result in that country taking over Japan's position as the largest overseas tourist-generating country. Additional Western European markets should maintain strength with visitors from Germany estimated at 675,000 (+17%) and those from France at 350,000 (+13%). Increases ranging from 13 to 24% are expected to be registered by other nations such as Switzerland, the Netherlands, and Italy.

Visitors from Canada and Mexico

More than half of all foreign visitors to the United States have historically originated in Canada, but 1978 witnessed the beginning of a downward trend in the number of arrivals from that country. 11,938,839 Canadians traveled to the U.S., a decline of 1.2% from 1977 figures. (1-35) An even more dramatic drop is anticipated when 1979 statistics are final, and latest estimates put the decline at 6%.

The main reasons for the falling off in 1978 were the depreciation of the Canadian dollar against U.S. currency and a drop in real wages of Canadian citizens. However, the primary factor behind the 1979 decline was uncertainty about gasoline supplies. The vast majority of Canadians travel to the United States via land — 75.2% of them did in 1978 (1-36) — but the unexpected gas shortages in the summer of 1979 caused many to change their plans at the last minute. It is hoped that a more stable situation in 1980 will result in slight increases in arrivals from Canada, although it is still too early to tell.

Mexico, the U.S.A.'s second ranking market, continued to send more visitors in 1978. The United States hosted 2,142,420 Mexicans that year, a 5.6% increase. A new agreement which provided for more air routes between the two countries was largely responsible for the growth, and projections set 1979 and 1980 increases at 16% and 17%. Such substantial rises should result not only from the additional airline service, but from inflation within Mexico that has made U.S. costs more competitive and from a period of prosperity that has generated more discretionary income for Mexican consumers.

Receipts from Foreign Tourism

The United States took in $8.5 billion in tourist receipts from foreign visitors in 1978, 18.5% more than was received during the previous year. $7.3 billion was spent by tourists within this country, while the remaining $1.2 billion went for transportation on U.S.-flag carriers. (1-29)

Excluding the transportation account, the rise in foreign tourist expenditures in this country amounted to 18%. If adjusted for changes in the U.S. Consumer Price Index, the constant (1972) dollar increase was still a healthy 10%. Canadians and Mexicans spent $3.7 billion, $.2 billion more than in 1977, and their expenditures accounted for 51% of all foreign travel expenditures in the United States. (1-30) Receipts from Canada rose 5%, and those from Mexico jumped 11%.

A hefty 33% increase in dollars spent by overseas visitors to the U.S. was documented in 1978. Of the total $3.6 billion in receipts, 38% or $1.4 billion came from tourists originating in Western European countries. The largest increase was attributed to British tourists who spend 55% more than in 1977, primarily due to relaxed air agreements which attracted more arrivals from the U.K.

Substantial jumps also occurred in spending by Germans (+30.4%) and French (+22.3%). Japanese devoted $542 million to travel in the United States in 1978, 20.4% more than in 1977. South American visitors increased their expenditures by 48%, reflecting a 35% rise in arrivals from the region.

The outlook for 1979 is equally promising, although final figures will not be available until July 1980. Commerce Department estimates suggest $10 billion (including transportation) in foreign travel receipts for the year, a 17.6% increase over 1978. (1-28) While Canadians may spend 2% less, Mexicans should spend 23% more. Again, receipts from the U.K. are expected to rise substantially — up 40% to $.445 billion — and those from Japan, Germany, and France should register greater increases than were recorded in 1978.

Other Overseas Visitors

While visitors from Europe accounted for 43% of the total overseas market in 1978, other foreign countries continued to document healthy growth patterns. (1-33) In general, visitor arrivals from overseas nations revealed the strongest increases and are expected to represent an ever larger share of total foreign arrivals in the future. Venezuela was responsible for 303,948 tourists in 1978, an increase of 45.9% over 1977. That country should post a 28% increase in 1979 and a 35% rise in 1980.

Although the Japanese market will not grow as much as it has in the past, arrivals are anticipated at 1 million in 1979 (+14%) and 1.15 million in 1980 (+15%). Australia and New Zealand will also continue to send more visitors to the United States. Projections show a 22% growth in arrivals from Australia in 1979, followed by a 23% increase in 1980. New Zealand is expected to generate 20% more tourists each year. These jumps come on top of 16% and 27% increases documented by the respective nations in 1978.

U.S. Travel Deficit

The healthy growth of tourism in the United States, as reflected by increased revenues, has had a positive impact on the travel deficit in this country. In 1978, the deficit — defined as the difference between U.S. expenditures abroad and foreign expenditures in the U.S. — narrowed 4.3%, dropping to the $2.9 billion mark. (1-31) Of this, $1.7 billion or 59% was accounted for by the transportation deficit, the difference between what foreign passengers pay to U.S. carriers and what Americans pay to foreign carriers.

Canadians, Japanese, and Germans were largely responsible for the improved deficit situation in 1978. Canadians spent $841 million more in this country than Americans did in Canada. The balance from Japan was $387 million in the U.S.A.'s favor, while Germany posted a $123 million difference. Deficits remained in accounts between the United States and Mexico (−$662 million), the U.K. (−$454 million), and France (−$139 million). Most signs point to a further reduced travel deficit in 1979, Commerce Department estimates suggesting $2.5 billion.

Foreign Tourism in 1980

It appears that along with launching a new decade, 1980 will bring some dramatic changes to the international travel market. Currency fluctuations, inflation here and overseas, and the problems caused by high fuel prices have changed the habits of world travelers. The days of wooing free-spending American tourists with promises of "cheap" travel abroad have begun to give way to those in which the travel industry will profit by developing an appreciation of the benefits of foreign visitors.

According to a spokesman for the U.S. Travel Service: "We're predicting conservatively between 30 and 49% increases in tourist numbers from European countries. We're facing the most phenomenal turnabout in world travel. The country will reap great benefits." Surely such remarks support the notion that the U.S. government must step up efforts to create a national tourism policy so that the country can remain competitive in the world travel marketplace.

1-28

FOREIGN TRAVEL TO THE U.S. PROJECTED ARRIVALS AND RECEIPTS 1979

Total person trips: 20,500,000 (+3.5%)
Total expenditures: $10.0 Billion (+17.6%)

Country of Origin	Total arrivals	% Change 1978/79	Total expenditures ($ Billions)	% Change 1978/79
Canada	11,200,000	−6	2.200	−2
Mexico	2,480,000	+16	1.800	+23
United Kingdom	1,000,000	+32	.445	+40
Japan	1,000,000	+14	.655	+21
Germany	575,000	+19	.425	+21
France	315,000	+21	.190	+28

Additional Selected Arrivals: 1979 Projections

Country of Origin	Total arrivals	% Change 1978/79
Venezuela	390,000	+28
Australia	220,000	+22
Italy	175,000	+14
Netherlands	170,000	+21
Switzerland	150,000	+23
Sweden	115,000	+17
New Zealand	100,000	+20
Spain	75,000	+11
Belgium	75,000	+22

Source: U.S. Department of Commerce, U.S. Travel Service estimates

1-29

FOREIGN TRAVEL TO THE U.S. 1978 AT A GLANCE

Total person trips: 19,842,000 (+6.6%)
Total expenditures: $8.502 Billion (+18.5%)
Transportation expenditures: $1.218
Expenditures at destinations: 7.284

Source: U.S. Department of Commerce, Bureau of Economic Analysis and U.S. Travel Service

1-30

U.S. RECEIPTS FOR INTERNATIONAL TRAVEL*

(Millions of dollars)

	1974	1975	1976	1977	1978
Total U.S. travel receipts	**4,032**	**4,697**	**5,742**	**6,150**	**7,284**
Canada	1,225	1,561	1,983	2,150	2,248
Mexico	1,142	1,311	1,364	1,316	1,459
U.S. border area	858	972	1,023	967	954
Total overseas	1,665	1,825	2,395	2,684	3,577
Western Europe	570	611	852	1,003	1,363
United Kingdom	142	144	183	205	317
France	63	68	96	121	148
Germany	126	145	206	263	343
Italy	43	41	59	61	69
Netherlands	28	36	49	57	89
Sweden	22	23	37	40	53
Switzerland	27	32	43	51	74
Other	119	122	179	205	270
Caribbean and Central America	216	206	289	276	332
South America	237	303	360	455	675
Other areas	642	705	894	950	1,207
Japan	402	410	439	450	542

**Excludes travel transport account.*
Source: U.S. Department of Commerce, Bureau of Economic Analysis

1-31

INTERNATIONAL TRAVEL ACCOUNT 1978

(Millions of dollars)

Total travel and passenger fare payments	**11,397**	(+$1.2 billion)
U.S. expenditures at foreign destinations	8,475	(+$1.0 billion)
U.S. payments to foreign carriers	2,922	(+$.2 billion)
Total travel and passenger fare receipts	**8,502**	(+$1.3 billion)
Foreign visitors expenditures in U.S.	7,284	(+$1.1 billion)
Foreign payments to U.S. carriers*	1,218	(+$.2 billion)
Net travel and passenger fare payments	**2,895**	(−$.1 billion)

**Excludes fares paid by foreigners to U.S. carriers for transportation between two foreign points.*
Source: U.S. Department of Commerce, Bureau of Economic Analysis

1-32

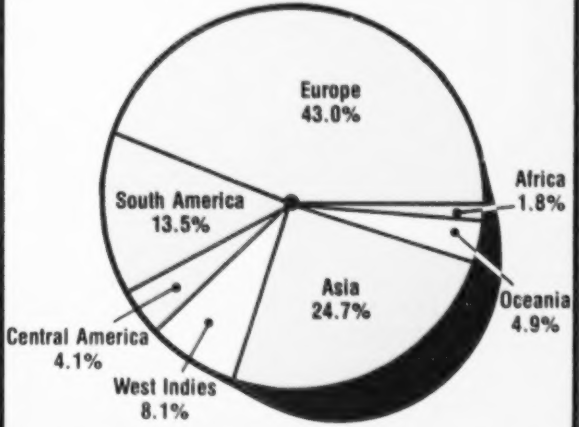
FOREIGN VISITOR ARRIVALS IN THE U.S. BY GEOGRAPHIC AREA

Area of Origin	1977	1978	% Change
Canada	12,083,386	11,938,839	−1.2
Mexico	2,029,745	2,142,420	5.6
Europe	1,880,995	2,478,783	31.8
South America	573,679	775,109	35.1
Central America	194,171	237,118	22.1
West Indies	384,073	464,473	20.9
Asia	1,146,302	1,421,110	25.6
Oceania	236,194	282,338	19.5
Africa	81,170	101,952	25.6

Source: U.S. Department of Commerce, U.S. Travel Service

1-33

FOREIGN VISITOR ARRIVALS IN THE U.S. BY GEOGRAPHIC AREA 1978*



**Excludes Mexico and Canada.*
Source: U.S. Department of Commerce, U.S. Travel Service

1-34

TOP TWENTY OVERSEAS TOURIST GENERATING COUNTRIES 1978

	1978		1977				
Country	Rank	Number of Arrivals	Rank	Number of Arrivals	Percent Change	1978 Share of Total Overseas	1977 Share of Total Overseas
Japan	01	886,447	01	748,743	18.4	15.4	16.7
U.K.	02	757,127	02	533,244	42.0	13.1	11.9
Germany	03	485,784	03	368,587	31.8	8.4	8.2
Venezuela	04	303,948	05	208,263	45.9	5.3	4.6
France	05	259,818	04	215,554	20.5	4.5	4.8
Australia	06	179,496	06	155,174	15.7	3.1	3.5
Italy	07	153,002	07	122,108	25.3	2.7	2.7
Netherlands	08	141,021	08	103,736	35.9	2.4	2.3
Bahamas	09	132,758	09	100,702	31.8	2.3	2.2
Switzerland	10	122,178	10	89,285	36.8	2.1	2.0
Iran	11	117,260	12	83,376	40.6	2.0	1.9
Colombia	12	114,590	11	89,045	28.7	2.0	2.0
Argentina	13	107,015	13	76,549	39.8	1.9	1.7
Sweden	14	98,515	14	75,718	30.1	1.7	1.7
Brazil	15	88,302	16	66,268	33.2	1.5	1.5
New Zealand	16	83,479	17	65,770	26.9	1.4	1.5
Jamaica	17	73,354	18	60,441	21.4	1.3	1.3
Dominican Repb.	18	73,052	15	67,755	7.8	1.3	1.5
Israel	19	68,385	20	52,658	29.9	1.2	1.2
Spain	20	67,825	19	59,233	14.5	1.2	1.3
Total Top 20		**4,313,356**		**3,342,209**	**29.0**	**74.9**	**74.3**
Total Overseas		**5,760,923**		**4,496,663**	**28.1**	**100.0%**	**100.0%**

Source: U.S. Department of Commerce, U.S. Travel Service

1-35

FOREIGN VISITOR ARRIVALS AND U.S. CITIZEN DEPARTURES 1977 VS. 1978

Foreign Visitor Arrivals (000)	1977	1978	% Change
Overseas	4,497	5,761	+28.1
Mexico	2,030	2,142	+ 5.5
Canada	12,084	11,939	− 1.2
Total	**18,610**	**19,842**	**+ 6.6**
U.S. Citizen Departures (000)*	**1977****	**1978**	**% Change**
Overseas	7,390	7,783	+ 5.3
Mexico	2,726	3,250	+19.2
Canada	12,111	12,043	− .1
Total	**22,227**	**23,076**	**+ 3.8**

**Reflects total U.S. citizen air travel to overseas countries. Excludes sea cruise departures.*
***Revised figures.*
Source: U.S. Department of Commerce, U.S. Travel Service based on data from U.S. Department of Justice, Immigration and Naturalization Service

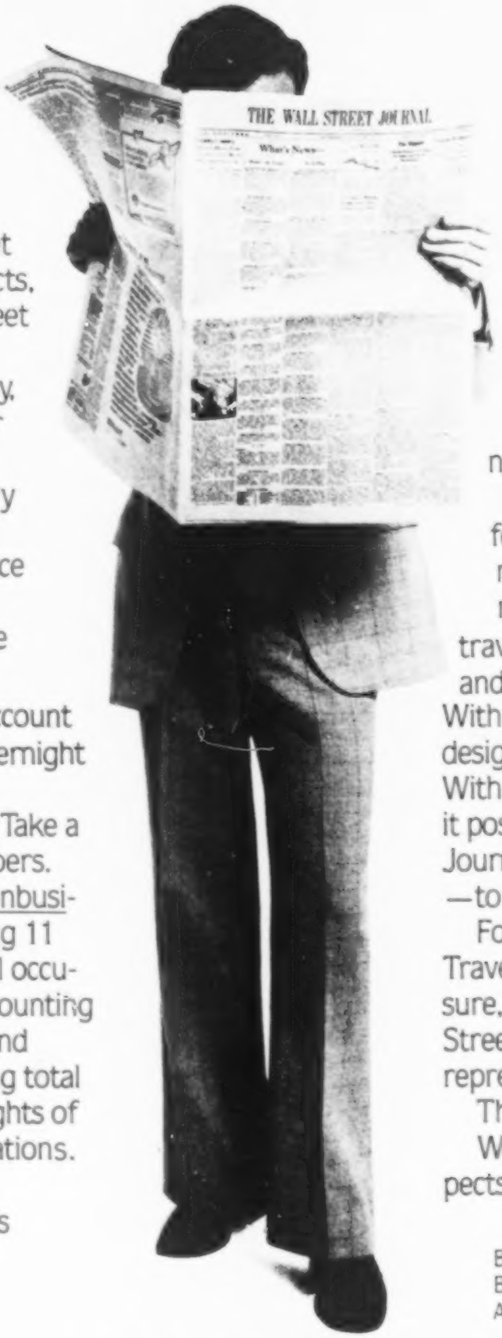
1-36

FOREIGN VISITOR ARRIVALS BY MODE OF TRANSPORT 1978

Origin of Visitors	Arrivals	% Change 1978/1977	Share of Total
Overseas Countries	**5,760,923**	**28.1**	**100.0%**
Air	5,413,934	29.3	94.0
Land	251,804	7.4	4.4
Sea	95,185	25.6	1.6
Mexico	**2,142,420**	**5.6**	**100.0%**
Air	491,252	32.7	22.9
Land	1,643,975	−.7	76.7
Sea	7,193	73.4	.4
Canada	**11,938,839**	**−1.2**	**100.0%**
Air	2,685,719	9.3	22.5
Land	8,976,336	−3.9	75.2
Sea	276,784	−4.6	2.3
Grand Total	**19,842,182**	**6.6**	**100.0%**
Air	8,590,905	22.5	43.3
Land	10,872,115	−3.2	54.8
Sea	379,162	2.5	1.9

Source: U.S. Department of Commerce, U.S. Travel Service

Are America's most frequent travelers hiding behind this front page?



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THE CONSUMER

DEMOGRAPHICS

The total population of the United States, now 222 million, is growing at less than 1% a year. (2-01) In contrast, households are growing at two to three times this rate and now number 79 million. (2-02) Households have increased 70% since 1950, and at the current rate, 1.5 million new households will be created in each of the next five years. The imbalance between population and household growth can be explained by the emergence of smaller household units. For every 100 households in 1975, there were 300 persons, an average of 3.0 per household. The current average stands at 2.8 persons, and by 1985, the average will drop to below 2.7 persons. (2-04)

Household Size

Among the 79 million households, 18 million are non-family units — comprised of those living alone or in small non-family groups made up of young, single adults who postpone marriage; couples who cohabitate; divorced individuals*; and older people who are widowed but still maintain their own households. (2-03) These non-family households are expected to increase 15% by 1985, while family households — persons living together related by blood or marriage — will grow at only half this rate in the next five years. (2-05)

Smaller household units are evidenced among families as well, a result of all-time low fertility rates. (2-06) While the actual number of live births per 1,000 population has stabilized in recent years after a long-term decline, the brth rate has not kept pace with the larger number of women who have now reached prime childbearing ages. Women today are expected to have only one-half as many children as they did 15 or 20 years ago. Families that traditionally consisted of two parents with three or four children will more likely have only one or two children. Moreover, these children will be born at a later stage in the marriage. Of the four million babies to be born in 1980, 40% will be "firstborn" compared with 25% in previous years.

Also contributing to smaller household size are the fast-growing age segments of 55-64 and 65-years-and-older. These include the parents of grown children who have left the home to establish their own households and widowed individuals who now have the means to maintain their own homes instead of depending on others.

Population Age

Ten years ago, the median age of the population was 28 years. Today, the median age is 30 years, and rising. The advancing age simply reflects the movement of the "baby boom" population born between 1946 and 1964 — overall, 76 million babies born, of whom 70 million are still alive. 1980 finds 66 million people in the 18-34 age group, 12% more than five years ago. As 1985 advances, however, the younger edge of this segment, the 18-24's, will erode, and the growth trend will notch up to the broader 25-44 markets. (2-09)

While the 25-44 age groups are expanding most rapidly, substantial growth is also occurring at the 65-and-over level. There are now 25 million people of this age, 11% more than in 1975. By 1985, the number will escalate to over 27 million and nearly match the number in the 18-24 age group. They are the beneficiaries of improved health care, resulting in longer life expectancy. But they also include the older portion of husband-wife couples whose children now contribute to the 25-44 bulge. Statistics show that these couples are together an average of 13 years after their children have left home and before the death of one of the spouses.

Annual divorces are now twice the number they were just 10 years ago. One-third of all new marriages are now expected to end in divorce, mostly within a seven-year period. Among women aged 25-29 who are marrying for the first time, the odds of having a divorce are higher (38 out of 100). (2-06)

The Labor Force

Due to the sharp increase of births in the Fifties, the total labor force to date has been expanding at the rate of 1.8 million workers per year. (2-07) The character of the labor force, however, is changing dramatically, and the most dramatic note is struck by women workers. (2-07) Between 1960 and 1980, males in the work force increased 21%, while females increased more than twice this number. In 1965, 39% of all women were in the work force. Latest estimates place the proportion today at 50%. Nearly half of all husband-wife families now have two incomes (2-11), and latest statistics show that the average income of households in which the wife works is 35% higher than households in which she does not. (2-08)

Education

In 1965, less than half of all adults had completed high school. Today, two-thirds of the adult population have earned high school diplomas. College-trained adults were only 15% of the population 20 years ago. The percentage today is 25% and rising higher each year. In the current 25-34 age group, which is experiencing accelerated growth, 45% of the men and 34% of the women have attended college. College enrollments in 1979 number about 11 million. (2-10)

Women already represent the majority of all new enrollments in college and are forecasted to account for six out of 10 graduates in the near future. Because nearly two-thirds of all women graduates enter the work force, the competitive pressures for entry-level positions in business and professional fields will be intensified. This competition may serve to reduce the relative earnings of recent graduates and foster a higher incidence of pooling incomes among unmarried or recently-married young adults.

Income

The average American family is more prosperous today than ever before. Real per-capita income has risen 65% in the past 15 years. (2-12) Economists attribute this to improved work productivity, more people in the work force in their prime earning years, and the increased participation of women in the working population, which produces a second paycheck in many households.

In addition, the amount of income used to indicate desired affluence has risen substantially. Not long ago, $15,000 annual income was considered an acceptable threshold. Today, $25,000 is the comparable figure. The actual number of households included in this latter group has moved ahead at a rapid pace — 57% in the last five years. In 1975, only one out of six households had $25,000 or more annual income; in 1985, the proportion will exceed one out of four as these households increase by another 31% over today's number. While total households will grow by 7.8 million units in the next five years, 5.7 million of them (73%) will be concentrated in the $25,000-and-over category.

Today, 49% of the high-income households earning $20,000 or more are headed by a person in the 25-44 age group. These households are expected to increase by one-third, or about 4.5 million households, over the next five years, triple the rate of growth for households in total. Looking at the younger 18-34 age group with the same amount of income, the growth rate is only slightly lower — a 30% increase by 1985, equal to approximately 2.4 million households.

Population Shifts

In the last five years, the suburban population has increased 9%, twice the rate of growth of the population at large. By 1985, the suburbs will contain 43% of the population. (2-13) As the suburbs grow more dense, there will be a corresponding movement toward the suburban fringe and rural areas which is expected to continue through 1985.

There have also been population shifts in the country's climate regions. Since 1975, the South and West have gained in population — by 6% and 7% respectively — and now outnumber the population in the Northeast and Central states by over three million. (2-14) Such regional shifts favoring the "Sunbelt" climate affect people of all ages. The development of industrial capacity in these areas has attracted the technology-trained worker who seeks recreational possibilities and a relaxed lifestyle. Younger workers are also more apt to seek employment opportunities in the South and West. The South continues to draw older people who have increasingly large retirement funds and more active interests.

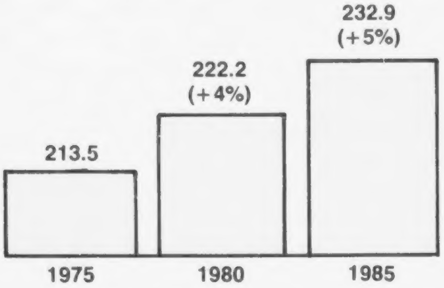
In Summary

The most widely recognized trends in the demographic scene can be traced to the movement of individuals born between the post-war years and the early Sixties. They have impacted heavily on the population's education attainment level. Their productivity in the work force has been directly converted to a capacity for higher earnings with a corresponding gain made in their standard of living. They have altered the shape of the traditional family unit through postponed marriage, deferred child-rearing, lower fertility rates, and greater likelihood of divorce. Women have emerged as significant contributors to family income and as consumer units by themselves. As a body, the "baby boom" group is perhaps the single most influential demographic key to the travel market.

2-01

POPULATION GROWTH

(Millions)

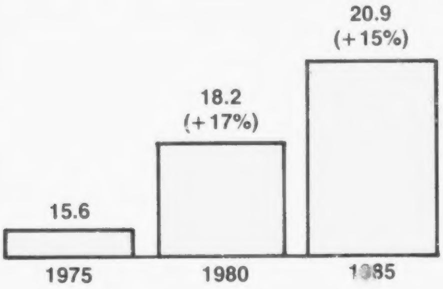


Source: U.S. Department of Commerce, Census Bureau

2-03

NON-FAMILY HOUSEHOLDS

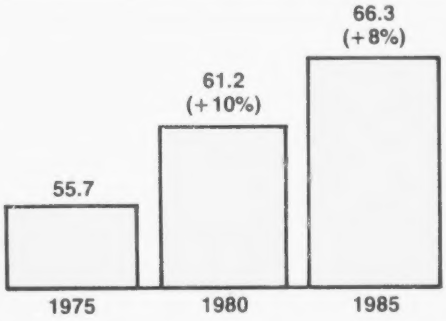
(Millions)



Source: U.S. Department of Commerce, Census Bureau

2-05

FAMILY HOUSEHOLDS

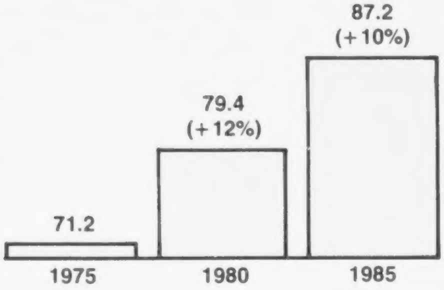


Source: U.S. Department of Commerce, Census Bureau

2-02

HOUSEHOLD GROWTH

(Millions)

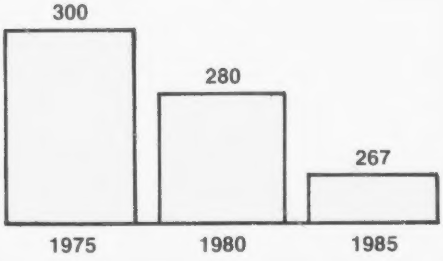


Source: U.S. Department of Commerce, Census Bureau

2-04

HOUSEHOLD SIZE

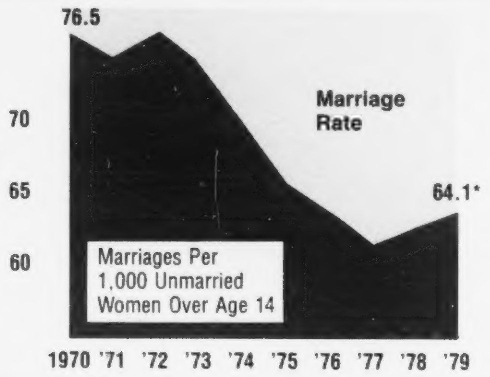
(Persons per 100 Households)

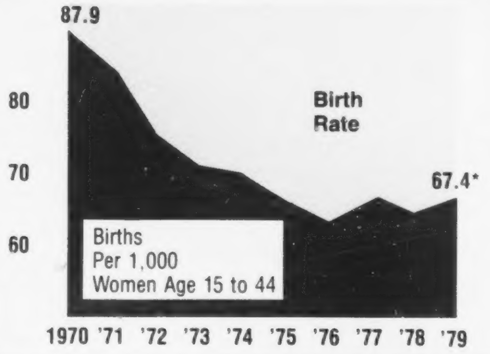


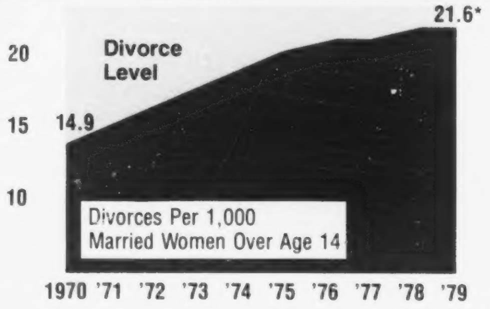
Source: U.S. Department of Commerce, Census Bureau

FAMILY STATISTICS

2-06





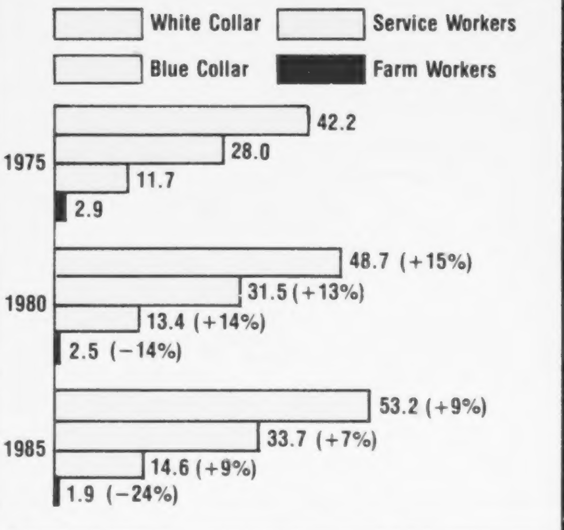


*Estimate
Source: U.S. News & World Report based on data from the National Center of Health Statistics

EMPLOYMENT

(Millions)

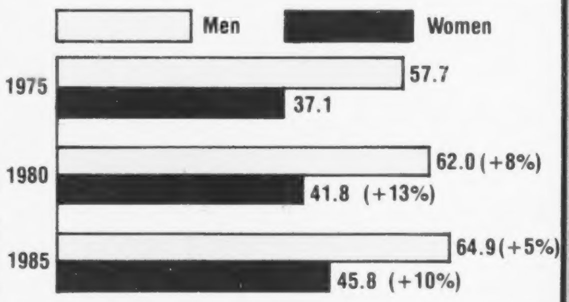
2-07



Source: U.S. Department of Commerce, Census Bureau estimates

MEN AND WOMEN IN WORK FORCE*

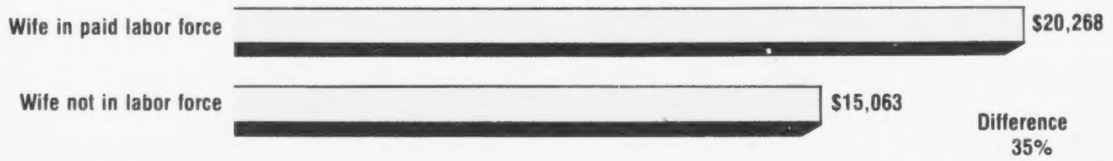
(Millions)



*Ages 16 and over.
Source: U.S. Department of Commerce, Census Bureau estimates

MEDIAN MONEY INCOME OF HUSBAND-WIFE FAMILIES*

2-08



*1977 dollars.
Source: U.S. Department of Commerce, Census Bureau

2-09

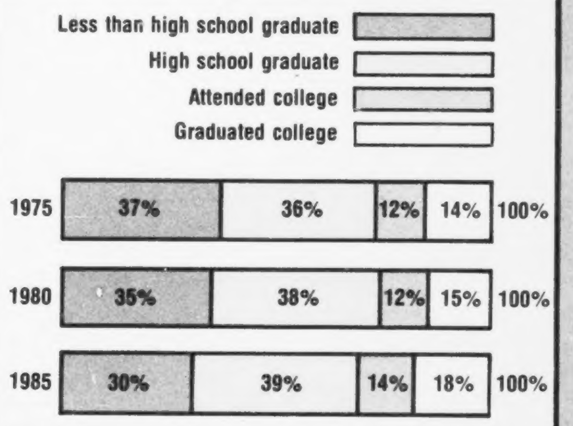
POPULATION AGE

	Millions			Change (%)	
	1975	1980	1985	1975-1980	1980-1985
Under 18	66.3	62.0	62.3	−7	+1
18-24	27.6	29.5	27.9	+7	−5
25-34	30.9	36.2	39.9	+17	+10
35-44	22.8	25.7	31.4	+13	+22
45-54	23.8	22.7	22.5	−5	−1
55-64	19.8	21.2	21.7	+7	+2
65 and over	22.4	24.9	27.3	+11	+10

Source: U.S. Department of Commerce, Census Bureau

2-10

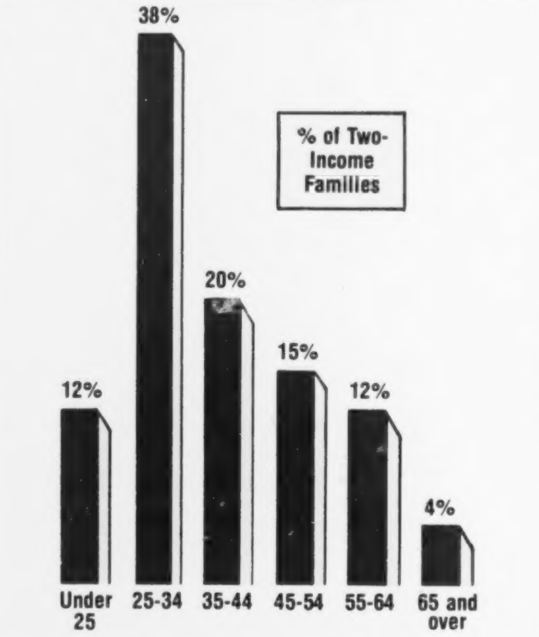
EDUCATIONAL ATTAINMENT*



**Ages 25 and over.*
Source: U.S. Department of Labor, Census Bureau estimates

2-11

TWO-INCOME FAMILIES BY AGE



Source: U.S. Department of Labor, Bureau of Labor Statistics

2-12

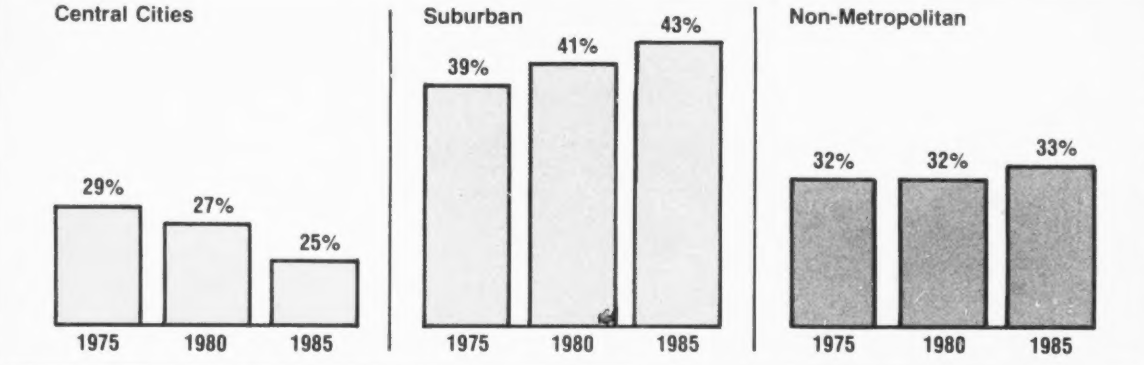
HOUSEHOLD INCOME*

	1975		1980		1985	
UNDER $10,000	26.8	38%	25.7	32%	25.8	30%
$10,000-$14,999	13.5	19%	13.2	17%	13.6	16%
$15,000-$24,999	19.3	27%	22.3	28%	24.0	28%
$25,000 AND OVER	11.6	16%	18.2	23%	23.9	27%
		100%		100%		100%

**Constant dollars. Millions of households. Figures are estimated.*
Source: U.S. Department of Commerce, Census Bureau; Conference Board

2-13

POPULATION SHIFTS
(Urbanization)



Source: U.S. Department of Commerce, Census Bureau

2-14

POPULATION SHIFTS BY REGION

Region	1975 (Millions)	1980 (Millions)
Northeast	49.5	50.2
Central	57.6	58.9
South	68.1	72.1
West	37.9	40.5

Source: U.S. Department of Commerce, Census Bureau estimates

POPULATION SHIFTS BY STATE*

	1980 Population	1990 Population	Percentage Change
Alabama	3,840,000	4,200,000	9.4%
Alaska	400,000	440,000	10.0%
Arizona	2,470,000	3,500,000	41.7%
Arkansas	2,260,000	2,600,000	15.0%
California	22,950,000	26,000,000	13.3%
Colorado	2,770,000	3,500,000	26.4%
Connecticut	3,095,000	3,200,000	3.4%
Delaware	585,000	630,000	7.7%
District of Columbia	670,000	580,000	−13.4%
Florida	8,850,000	11,920,000	34.7%
Georgia	5,140,000	5,900,000	14.8%
Hawaii	900,000	1,100,000	22.2%
Idaho	920,000	1,180,000	28.3%
Illinois	11,240,000	11,420,000	1.6%
Indiana	5,430,000	5,620,000	3.5%
Iowa	2,910,000	2,990,000	2.7%
Kansas	2,380,000	2,500,000	5.0%
Kentucky	3,570,000	3,920,000	9.8%
Louisiana	4,040,000	4,450,000	10.1%
Maine	1,100,000	1,240,000	12.7%
Maryland	4,150,000	4,500,000	8.4%
Massachusetts	5,770,000	5,850,000	1.4%
Michigan	9,280,000	9,620,000	3.7%
Minnesota	4,050,000	4,300,000	6.2%
Mississippi	2,430,000	2,680,000	10.3%
Missouri	4,960,000	5,110,000	3.0%
Montana	820,000	920,000	12.2%
Nebraska	1,570,000	1,680,000	7.0%
Nevada	720,000	1,000,000	38.9%
New Hampshire	900,000	1,100,000	22.2%
New Jersey	7,320,000	7,520,000	2.7%
New Mexico	1,260,000	1,550,000	23.0%
New York	17,400,000	17,090,000	−1.8%
North Carolina	5,670,000	6,400,000	12.9%
North Dakota	650,000	700,000	7.7%
Ohio	10,840,000	10,870,000	.3%
Oklahoma	3,000,000	3,400,000	13.3%
Oregon	2,520,000	3,040,000	20.6%
Pennsylvania	11,680,000	11,690,000	.1%
Rhode Island	935,000	910,000	−2.7%
South Carolina	3,000,000	3,450,000	15.0%
South Dakota	690,000	720,000	4.3%
Tennessee	4,460,000	5,000,000	12.1%
Texas	13,400,000	16,050,000	19.8%
Utah	1,380,000	1,750,000	26.8%
Vermont	490,000	550,000	12.2%
Virginia	5,175,000	6,000,000	15.9%
Washington	3,940,000	4,320,000	9.6%
West Virginia	1,860,000	1,970,000	5.9%
Wisconsin	4,710,000	5,070,000	7.6%
Wyoming	460,000	600,000	30.4%
U.S. Total	**221,000,000**	**242,300,000**	**9.6%**

*Based on 1970-1978 growth rates.

Source: U.S. News and World Report *based on data from the U.S. Department of Commerce*

2-15

50 BIGGEST METROPOLITAN AREAS IN 1990*

	1980 Population	1990 Population	Percent Change
1. New York	9,173,000	8,437,000	−8.0%
2. Chicago	7,032,000	7,087,000	.8%
3. Los Angeles-Long Beach	7,027,000	7,012,000	−.2%
4. Philadelphia	4,782,000	4,741,000	−.9%
5. Detroit	4,346,000	4,258,000	−2.0%
6. Boston	3,917,000	3,986,000	1.8%
7. Houston	2,740,000	3,754,000	37.0%
8. San Francisco-Oakland	3,210,000	3,314,000	3.2%
9. Dallas-Fort Worth	2,795,000	3,285,000	17.5%
10. Washington, D.C.	3,074,000	3,247,000	5.6%
11. Nassau-Suffolk, N.Y.	2,740,000	2,937,000	7.2%
12. Anaheim-Santa Ana-Garden Grove, Calif.	1,970,000	2,731,000	38.6%
13. San Diego	1,826,000	2,455,000	34.4%
14. Atlanta	1,930,000	2,334,000	20.9%
15. St. Louis	2,368,000	2,326,000	−1.8%
16. Baltimore	2,176,000	2,287,000	5.1%
17. Minneapolis-St. Paul	2,065,000	2,170,000	5.1%
18. Pittsburgh	2,255,000	2,118,000	−6.1%
19. Tampa-St. Petersburg	1,511,000	2,097,000	38.8%
20. Phoenix	1,381,000	1,964,000	42.2%
21. Denver-Boulder	1,560,000	1,963,000	25.8%
22. Newark	1,937,000	1,823,000	−5.9%
23. Miami	1,513,000	1,806,000	19.4%
24. Cleveland	1,908,000	1,764,000	−7.5%
25. Riverside-San Bernardino-Ontario, Calif.	1,375,000	1,659,000	20.7%
26. Ft. Lauderdale-Hollywood, Fla.	980,000	1,550,000	58.2%
27. San Jose	1,280,000	1,539,000	20.2%
28. Milwaukee	1,435,000	1,467,000	2.2%
29. Seattle	1,428,000	1,432,000	.3%
30. Cincinnati	1,371,000	1,355,000	−1.2%
31. Portland, Oreg.	1,168,000	1,355,000	16.0%
32. Kansas City	1,301,000	1,328,000	2.1%
33. San Antonio	1,082,000	1,318,000	21.8%
34. New Orleans	1,168,000	1,303,000	11.6%
35. Buffalo	1,300,000	1,252,000	−3.7%
36. Columbus, Ohio	1,114,000	1,220,000	9.5%
37. Indianapolis	1,156,000	1,203,000	4.1%
38. Sacramento	982,000	1,200,000	22.2%
39. Hartford-New Britain-Bristol, Conn.	1,058,000	1,082,000	2.3%
40. Salt Lake City-Ogden	871,000	1,076,000	23.5%
41. Memphis	907,000	987,000	8.8%
42. Rochester	974,000	986,000	1.2%
43. Orlando	657,000	951,000	44.7%
44. Norfolk-Virginia Beach	831,000	942,000	13.4%
45. Nashville	803,000	922,000	14.8%
46. Honolulu	762,000	921,000	20.9%
47. Louisville	889,000	911,000	2.5%
48. Oklahoma City	797,000	908,000	13.9%
49. Birmingham	820,000	877,000	7.0%
50. Greensboro-Winston-Salem-High Point, N.C.	794,000	870,000	9.6%

*Estimates based on population change, 1970-1977.
Source: U.S. News & World Report

PROFILE OF THE U.S. TRAVELER

Perhaps the most important, and up until now, least researched aspect of the travel market is the consumer. Suppliers need to know what motivates the traveler, what affects his attitudes toward the travel experience, how he utilizes travel facilities and services, and how he appears demographically as compared to the nontraveler. Through the efforts of the Travel Pulse Research Service, much of this information has now been generated. Availability of 1979 Travel Pulse data is restricted to those who sponsor the annual study, but we have secured permission to publish limited material from the 1977-78 survey, which founding sponsors of the study believed would contribute to a better understanding of the consumer and the industry.*

Of the total U.S. population age 18 and over, 43% traveled during the 12 months covered by the 1977-78 survey — that is, 43% or 62.86 million people made a roundtrip of at least 200 miles that included either air transportation or paid accommodations, or which was a cruise trip.** Nine in 10 of these travelers (55.95 million) took a domestic trip (within the 48 coterminous United States), while close to two in 10 (10.69 million) made an international trip (outside the 48 coterminous United States and including Alaska and Hawaii).

Seven in 10 travelers took a domestic pleasure trip, while 15% (9.43 million) took a domestic business trip. A surprisingly large 18% (11.31 million) engaged in domestic personal travel. Of the three lengths of domestic pleasure trips examined, the extended trip was taken by more travelers (20.12 million) than either the weeklong (15.72 million) or the weekend trip (16.97 million). (2-17)

*Travel Pulse is a multi-sponsored annual study that tracks changes and trends in consumer behavior and attitudes that affect the travel market. Produced by Travel and Tourism Consultants International and the research firm of Yankelovich, Skelly and White, its findings are based on personal interviews with a sample of 7,000 U.S. adults. The results are nationally projectable.

**See Definitions following text for clarification of meanings of trip, traveler, and various trip types as they apply to Travel Pulse research.

Traveler Demographics

Compared with the total adult population 18 years of age and over, travelers are significantly upscale with respect to education, occupation, and income, although their median age is close to that of the total population. (2-18) Looking at the four basic types of travel — international, domestic pleasure, domestic business, and domestic personal — some predictable demographic differences separate traveler types. (2-21) For example, fewer men travel internationally than domestically. Domestic pleasure travelers are the oldest group and the least upscale, while business and international travelers are the most upscale.

When the domestic pleasure travel market is broken down into its three components — extended, weeklong, and weekend — additional demographic differences emerge. (2-22) The more traditional extended domestic pleasure traveler tends to be older, retired, and less well-to-do. Weeklong and weekend travelers include more men, younger, more affluent consumers, and members of households where there is more than one wage-earner. The weekend traveler is also the most heavily blue-collar group.

Profile of Women Business Travelers

Comprising 28% of all business travelers, women business travelers form a substantial portion of the market and one that is expected to grow. The majority of them are younger, less likely to be married, and have some college experience, although not to the same degree as do all business travelers. Constituting an upscale segment within the travel market in terms of occupation and income, more women business travelers describe their jobs as white-collar than do other business travelers. They are primarily involved in service industries or wholesale/retail trade. (2-20)

Reporting high annual household incomes, women business travelers are on a par with total business travelers. They also tend to be part of two-plus-earner households, and since second incomes are often spent on discretionary items, women business travelers own more "big ticket" leisure items and more cars. Similarly, they are likely to spend discretionary income on pleasure travel, and as such, they constitute a vital and affluent segment of the travel market as a whole.

Trip Characteristics

Travel frequency projected against the total universe of travelers shows that the 62.86 million travelers documented by the Travel Pulse study took 170.50 million trips. (2-16) Domestic pleasure travel was the largest single contributor to the total travel market (48%). Domestic business travel contributed a significant 29% of all trips, despite the fact that only 6% of the population traveled for business reasons. This was due to the high frequency of business travel.

The average traveler took 2.71 trips in the 12 month period examined. (2-24) Business travelers reported the highest average frequency at 6.06 business trips per year. Personal travelers, again, made a surprisingly high 2.36 trips per year. Among domestic pleasure travelers, the weekend trip was taken more frequently than either the weeklong or the extended trip.

Statistical Update

Although detailed statistics from Travel Pulse's 1978/79 study remain confidential, some general information from the research has been made public. The number of adult Americans who traveled increased from 63 million to 79 million. As a proportion of the adult population, incidence of travel moved from 43% to 52%, representing a 21% increase over the course of a year. Demographically, these travelers were somewhat older and included more blue collar workers.

Overall frequency of travel rose from 2.7 trips per traveler per year to 3.5 trips per year, and the number of trips rose sharply to 276 million, a 60% increase. All types of trips registered growth, but the greatest jump was in the area of domestic pleasure travel. 13 million more adults (58 million) chose to take domestic pleasure trips which numbered 162 million, twice as many as were documented the year before.

Moreover, domestic weekend trips alone doubled, leading to the assumption that the traveler of the 1980's will choose to take shorter, more frequent trips. Chances are that he will also utilize package travel to a greater extent and may rely more heavily on a travel agent to help make trip arrangements. By increasing his incidence of domestic weekend travel, the consumer reveals that although he may not be able to afford extended trips to faraway places, he still requires a break in his daily routine.

Trends for 1980

In terms of the way consumers feel about the travel experience, several key attitudinal trends are expected to impact on the market in the coming year. People are evidencing an increasing preoccupation with comfort and service. They feel entitled to good food, attention, and comfortable surroundings. More importantly, they are willing to pay extra to fulfill these needs.

Americans are also expressing more anxiety about their daily lives — about the pressures encountered from maintaining a demanding home and work life. This anxiety spills over and affects consumers' travel perspective. New travelers are particularly vulnerable to anxious moments, and

SAN FRANCISCO NEWSPAPERS

San Francisco Chronicle • San Francisco Examiner

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1,941,000 SUNDAY READERS WHEN THEY'RE HOME

Of course with so many of them in a perfect position to travel by virtue of their jobs, their status, their incomes and their educated tastes, it stands to reason that some of our readers miss a few issues en route to someplace or other for business or pleasure.

Like the 785,700 — 64% of the ADI's international travelers — who have taken one or more trips abroad in the past five years.

Like the 774,800 — 61% of the ADI's air travelers — who have boarded a flight from the Bay Area in the past twelve months.

Our high coverage of your proven clients is matched by our high coverage of all the demographic areas where prospective travelers are to be found. With four issues, we reach more than 60% of the ADI's top jobholders, college graduates and adults with household incomes of $25,000+.

Far and away the Bay Area's favorite Sunday paper — the San Francisco Sunday Examiner & Chronicle.

Represented nationally
by Sawyer-Ferguson-Walker

Source: IMPACT/SAN FRANCISCO BAY AREA, 4-issue reach

San Francisco Chronicle • San Francisco Examiner with the continual influx into the market of these inexperienced travelers and the inevitable crowding of travel facilities, even the experienced traveler is confronted with new problems.

Related to this anxiety phenomenon and consonant with the pressures of today's lifestyles, there is an increase in the need to escape. People are seeking ways of unwinding, of getting away from everyday tensions, and they often require a new environment in which to do so. Vacations fulfill this need.

Such vacations, however, need not be designed for rest and relaxation alone. There is a continued thrust toward experiencing the new and different. Many travelers view a myriad of change-of-pace experiences as a way of winding down. Meeting new people and visiting new places, as well as the quest for excitement and stimulation, have become key travel motivations.

DEFINITIONS

The following definitions apply to all research produced by the Travel Pulse Research Service:

Trip — A trip must be at least 200 miles, roundtrip, and must include air fare or paid accommodations for at least one night; or the trip must be by cruise ship. A trip may be domestic or international; for business, personal, or pleasure reasons.

Traveler — A person who has taken one or more trips according to the above definition.

Nontraveler — A person who has not taken a trip within the past 12 months according to the above definition of a trip. This does not mean that the person has never traveled, nor does it mean that he/she has not taken a past 12 month trip outside the limits of this definition.

International Travel — Includes travel that is for any purpose (pleasure, business, or personal) where the primary destination is outside the 48 coterminous United States.

Domestic Extended Pleasure Travel — Includes travel, encompassing 11 or more days, that is primarily for pleasure purposes, where the primary destination is within the 48 coterminous United States.

Domestic Weeklong Pleasure Travel — Includes travel, encompassing 6 to 10 days, that is primarily for pleasure purposes, where the primary destination is within the 48 coterminous United States.

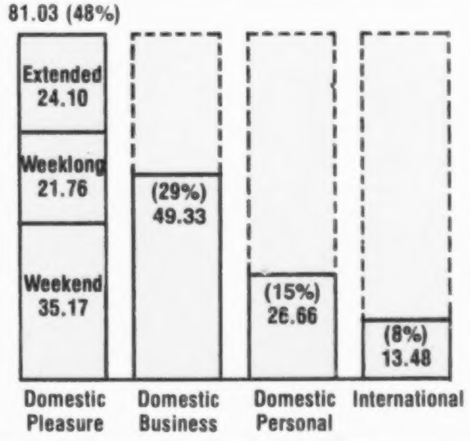
Domestic Weekend Pleasure Travel — Includes travel, encompassing up to 5 days, that is primarily for pleasure purposes, where the primary destination is within the 48 coterminous United States.

Domestic Business Travel — Includes travel that is primarily for business reasons (even though pleasure or personal matters may have been included) where the primary destination is within the 48 coterminous United States.

Domestic Personal Travel — Includes travel that is primarily for personal reasons (e.g., look for an apartment, attend a funeral, a job interview, etc.) where the primary destination is within the 48 coterminous United States.

2-16

TOTAL TRIPS TAKEN BY U.S. TRAVELERS*
Total Trips (170.50 Million)



*12 months 1977/78.
Source: Travel Pulse Research Service 1977-78

2-17

THE CONSUMER MARKET FOR TRAVEL

	Total Population	Total Travelers	
	%	%	(Millions)
Traveled in past year	**43**	**100**	**(62.86)**
International	8	17	(10.69)
Domestic	**39**	**89**	**(55.95)**
Pleasure	**31**	**71**	**(44.63)**
Extended	14	32	(20.12)
Weeklong	11	25	(15.72)
Weekend	12	27	(16.97)
Business	6	15	(9.43)
Personal	8	18	(11.31)

Source: Travel Pulse Research Service 1977-78

2-18

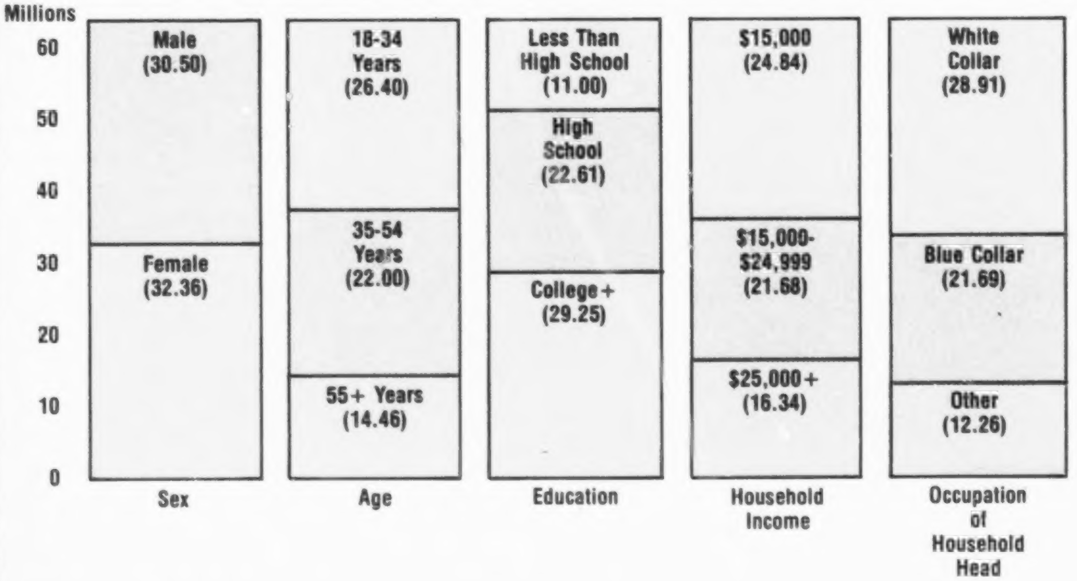
THE U.S. TRAVELER: DEMOGRAPHIC HIGHLIGHTS

	Total Population	Total Travelers
% male	47	49
median age*	40 years	39 years
% college educated	32	46
% white collar	34	47
median income	$14,050	$17,890
% two or more employed adults	49	54

*Reflects median age of population aged 18 and over – 147,915,000 people.
Source: Travel Pulse Research Service 1977-78

2-18

Total Travelers (62.86 Million)



2-19

ADDITIONAL STATISTICS: TRAVELERS VS. NON-TRAVELERS

	Proportion of Population % 100	Total Travelers % 100	Total Non-travelers % 100
Amount of Past-Year Vacation Time Taken			
1 week	17	17	17
2 weeks	24	31	19
3 weeks	10	15	6
4-5 weeks	12	17	7
More than 5 weeks	9	12	6
No vacation time taken in past year	28	8	45
Number of Cars Owned			
1 car	47	39	53
2 cars	33	36	30
3 or more cars	12	15	10
Do not own a car	8	10	7
Ownership of "Big Ticket" Leisure Items			
Boat	10	12	8
Camper/campervan/motor home	9	11	7
Motorcycle	8	9	7
Swimming pool	3	5	2
Horse	2	3	2
Credit Card Ownership			
Bank cards (net)	**35**	**48**	**24**
Master Charge	24	33	17
BankAmericard/Visa	22	32	15
Travel and entertainment cards (net)	**8**	**14**	**4**
American Express	7	13	3
Diners Club	2	3	1
Carte Blanche	1	2	1
Do not own credit cards	63	48	74
Passport Ownership			
Own passport	10	19	4
Do not own passport	90	81	96

Source: Travel Pulse Research Service 1977-78

2-20

PROFILE OF WOMEN BUSINESS TRAVELERS

	% of Total Women Business Travelers
Sex	
Male	—
Female	100
Age	
18-24 years	13
25-34 years	26
35-44 years	31
45-54 years	20
55 years or more	10
Marital Status	
Married	66
Separated/divorced/widowed	11
Single/never married	23
Children under 18 in household	50
Education of Respondent	
Did not graduate from high school	9
Graduated from high school/technical school	31
Attended college	17
Graduated from college	22
Attended graduate/professional school	21
Occupation of Household Head	
White Collar	**88**
Professional/executive	35
Manager/proprietor	25
White collar/clerical	28
Number of Employed Adults in Household	
1 person	21
2 persons	56
3 or more persons	23
Total Household Income	
Less than $10,000	4
$10,000-$14,999	10
$15,000-$19,999	26
$20,000-$24,999	15
$25,000 or more	45
Ownership of Second Home	
Own/rent second home/apartment	14
No second home	86
Number of Cars Owned	
1 car	25
2 cars	44
3 or more cars	21
Do not own a car	10
Ownership of "Big Ticket" Leisure Items	
Boat	19
Camper/campervan/motor home	20
Motorcycle	22
Swimming pool	15
Horse	3
Athletic/Country Club Membership	
Belong to athletic/country club	15
Do not belong to athletic/country club	85
Credit Card Ownership	
Bank Cards	62
Travel and Entertainment Cards	18
Passport Ownership	
Own passport	19
Do not own passport	81

Source: Travel Pulse Research Service 1977-78

If you're directing your advertising to men you're missing 52% of your best travel prospects.

I made 51% of all domestic travel trips last year. And 40% of all domestic business trips. I also bought 50% of all the credit cards and 49% of all travelers checks purchased in the last 12 months. You can reach 8,000,000 of us with a 4 color page in Cosmopolitan for only $22,320 and only $16,585 for a B/W page.

I spend a lot on travel because I can afford to. I work. And Cosmopolitan reaches 20% or 3,542,000 of all 18-34 working women at a CPM of only $6.30. No other leading women's magazine is more efficient.

If you're putting your ad dollars in the magazines most used by the travel industry, here's something to think about. 96% of us do not read The New Yorker, 77% of us do not read Time and 80% do not read Newsweek.

I guess you could say I'm That COSMOPOLITAN Girl.

Photographed by Francesco Scavullo

If you want to reach me you'll find me reading

COSMOPOLITAN®

A PUBLICATION OF THE HEARST CORPORATION

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2-21

DEMOGRAPHIC PROFILE OF TRAVELERS BY TRIP TYPE

	International Travelers	Domestic Travelers		
		Pleasure	Business	Personal
% male	45	48	72	50
median age	39 years	40 years	37 years	39 years
% college educated	58	45	70	51
% white collar	53	47	81	48
median income	$21,180	$17,750	$23,890	$16,080
% two or more employed adults	57	54	63	57

Source: Travel Pulse Research Service 1977-78

2-22

DEMOGRAPHIC PROFILE OF DOMESTIC PLEASURE TRAVELERS

	Domestic Pleasure		
	Extended	Weeklong	Weekend
% male	45	50	47
median age	46 years	37 years	36 years
% college educated	44	46	44
occupation	45% white collar 31% blue collar 19% retired	50% white collar 33% blue collar 11% retired	47% white collar 40% blue collar 9% retired
median income	$17,370	$18,950	$18,610
% two or more employed adults	49	56	57

Source: Travel Pulse Research Service 1977-78

2-23

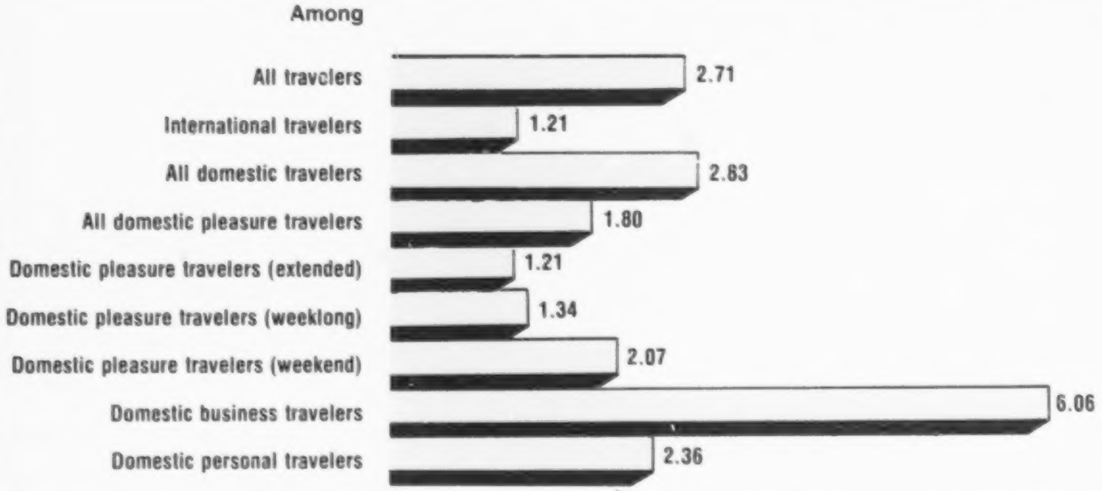
CONSUMER INTENTION TO VACATION WITHIN SIX MONTHS

	1978 (%)			1979 (%)			
	Aug.	Oct.	Dec.	Feb.	Apr.	June	Aug. (p)
Vacation Intended	43.9	44.5	45.2	46.1	41.9	39.1	43.4
Destination							
Home state	9.5	8.0	9.3	11.0	9.2	9.7	10.4
Other states	32.0	31.9	31.7	32.6	30.5	27.9	29.7
Foreign country	3.5	5.0	4.5	4.2	3.6	3.5	3.0
Means of Travel							
Automobile	31.6	31.5	33.0	34.0	30.1	25.2	29.9
Airplane	13.0	12.4	11.7	12.7	12.8	12.8	12.7
Other	2.1	1.5	3.1	2.4	2.1	1.9	3.0

(p) – Preliminary figures.
Source: The Conference Board based on surveys conducted by National Family Opinion, Inc.

2-24

AVERAGE NUMBER OF TRIPS TAKEN BY U.S. TRAVELERS*



*12 months 1977-78.
Source: Travel Pulse Research Service 1977-78

2-25

INTERNATIONAL TRAVEL: TRANSPORTATION

	Total International Trips %
Primary Mode of Transportation To/ From Destination	
Commercial airline	72
Car/camper	23
Train/bus	4
Cruise ship	4
Class of Air Travel Flown To/ From Destination	
Tourist/economy/coach	45
First class	15
Charter	13
Single-class flight	2
Night coach	1

Source: Travel Pulse Research Service 1977-78

2-26

INTERNATIONAL TRAVEL: ACCOMMODATIONS

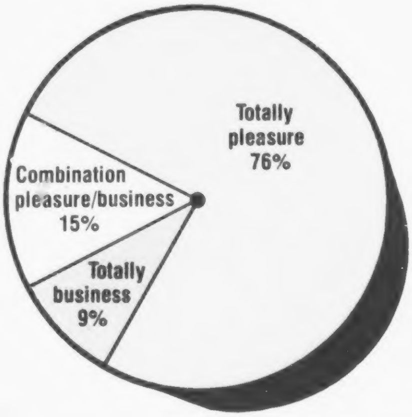
Type of Overnight Accommodation	% of Total International Trips
Large hotel	43
Small hotel	12
Motel	13
Combination hotel/motel	2
Private home	16
Campground	3
Other	11
Type of Hotel/Motel Accommodations	**% of Total International Trips**
Deluxe/first class	21
Average/medium cost	41
Low cost/economy	8

Source: Travel Pulse Research Service 1977-78

2-27

INTERNATIONAL TRAVEL: PURPOSE OF TRIP

Purpose/% of Total International Trips



Source: Travel Pulse Research Service 1977-78

2-28

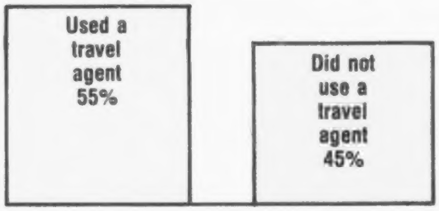
INTERNATIONAL TRAVEL DESTINATIONS*

Destination	% of Total International Trips
Canada	20
Western Europe	19
Caribbean	18
Hawaii	14
Mexico	13
Far East	7
All other destinations	16

**Includes multiple mentions.*
Source: Travel Pulse Research Service 1977-78

2-29

INTERNATIONAL TRAVEL: USE OF A TRAVEL AGENT*

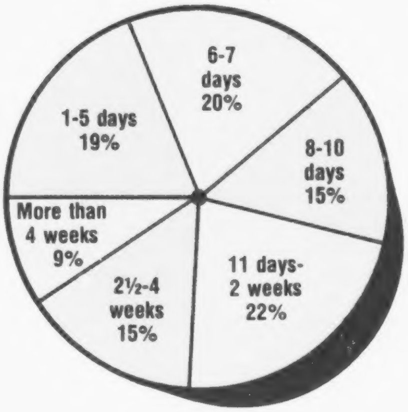


**% of total international trips.*
Source: Travel Pulse Research Service 1977-78

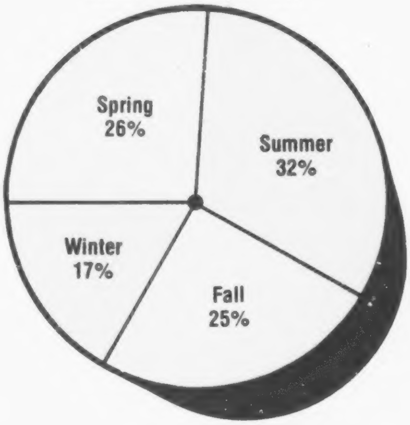
2-30

INTERNATIONAL TRIP CHARACTERISTICS*

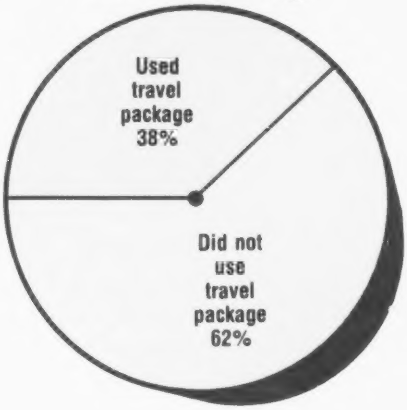
Duration of Trip



Season of Trip Taken



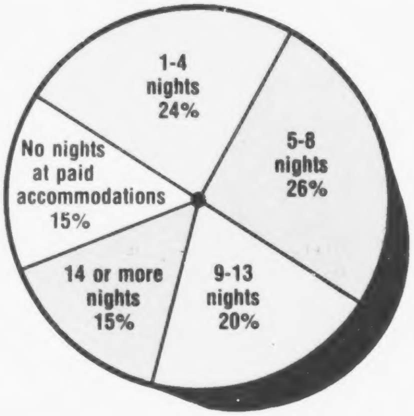
Use of Travel Package



**% of total international trips.*
Source: Travel Pulse Research Service 1977-78

2-31

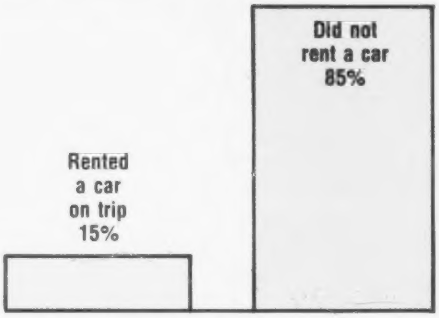
INTERNATIONAL TRAVEL: NUMBER OF NIGHTS AT PAID ACCOMMODATIONS*



*% of total international trips.
Source: Travel Pulse Research Service 1977-78

2-32

INTERNATIONAL TRAVEL: USE OF A RENTAL CAR*



*% of total international trips.
Source: Travel Pulse Research Service 1977-78

2-33

DOMESTIC PLEASURE TRAVEL: TRANSPORTATION

	Total Domestic Extended Pleasure Trips %	Total Domestic Weeklong Pleasure Trips %	Total Domestic Weekend Pleasure Trips %
Primary Mode of Transportation			
Commercial airline	34	29	13
Car/camper	63	69	82
Train/bus	3	2	5
Class of Air Travel Flown			
Tourist/economy/ coach	25	22	9
Charter	1	1	1
First class	4	4	1
Single-class flight	1	2	3
Night coach	3	2	—

Source: Travel Pulse Research Service 1977-78

2-34

DOMESTIC PLEASURE TRAVEL: ACCOMMODATIONS

	Total Domestic Extended Pleasure Trips %	Total Domestic Weeklong Pleasure Trips %	Total Domestic Weekend Pleasure Trips %
Primary Type of Overnight Accommodations			
Hotel	10	14	51
Motel	40	34	18
Combination hotel/motel	3	1	1
Private home	26	23	13
Campground	12	17	8
Other accommodations	9	11	9
Type of Paid Accommodations			
Deluxe/first class	6	9	10
Average/medium cost	41	37	51
Low cost/ economy	6	3	9

Source: Travel Pulse Research Service 1977-78

2-35

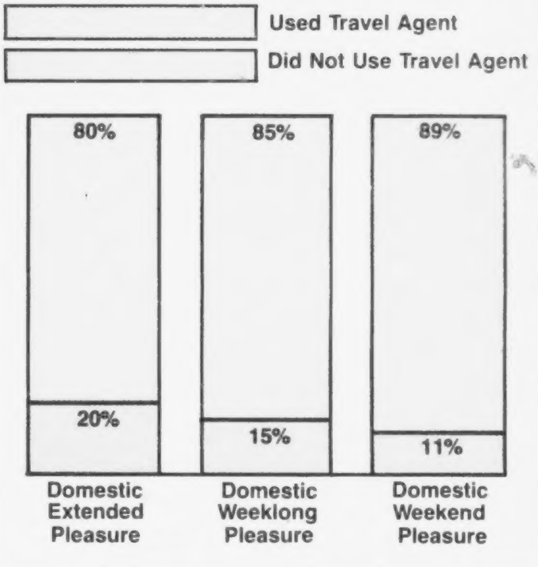
DOMESTIC PLEASURE TRAVEL: PRIMARY DESTINATION VISITED

	Total Domestic Extended Pleasure Trips %	Total Domestic Weeklong Pleasure Trips %	Total Domestic Weekend Pleasure Trips %
South Atlantic	28	30	18
Pacific	18	11	14
Mountain	13	13	15
East North Central	11	9	18
Middle Atlantic	7	6	10
West South Central	6	14	6
West North Central	6	6	9
East South Central	6	6	6
New England	5	5	4

Source: Travel Pulse Research Service 1977-78

2-36

DOMESTIC PLEASURE TRAVEL: USE OF A TRAVEL AGENT*

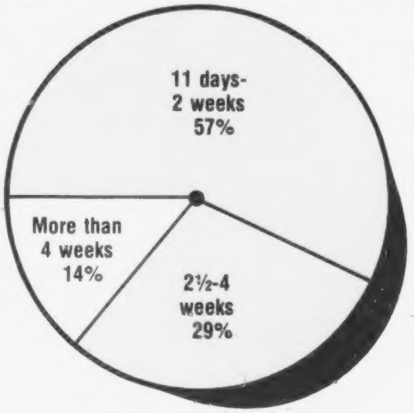


**Percentages apply to total number of trips taken.*
Source: Travel Pulse Research Service 1977-78

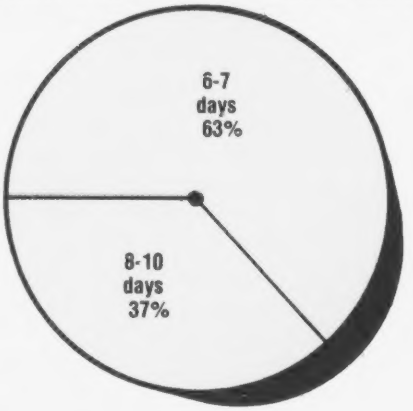
2-37

DOMESTIC PLEASURE TRAVEL: DURATION OF TRIPS*

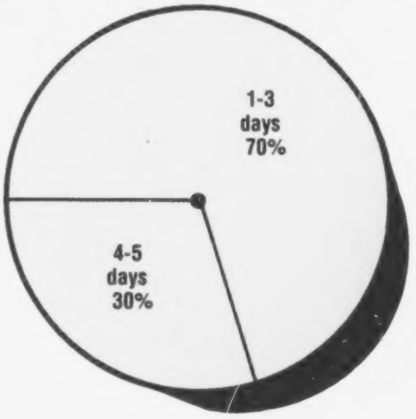
DOMESTIC EXTENDED PLEASURE TRIPS



DOMESTIC WEEKLONG PLEASURE TRIPS



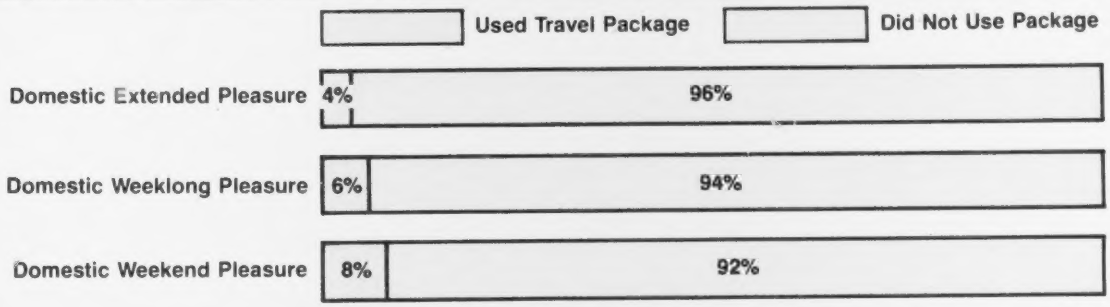
DOMESTIC WEEKEND PLEASURE TRIPS



**Percentages apply to total number of trips taken.*
Source: Travel Pulse Research Service 1977-78

2-38

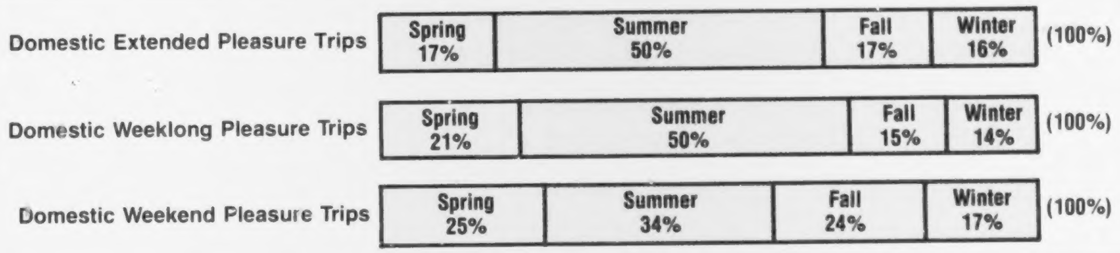
DOMESTIC PLEASURE TRAVEL: USE OF A TRAVEL PACKAGE*



*Percentages apply to total number of trips taken.
Source: Travel Pulse Research Service 1977-78

2-39

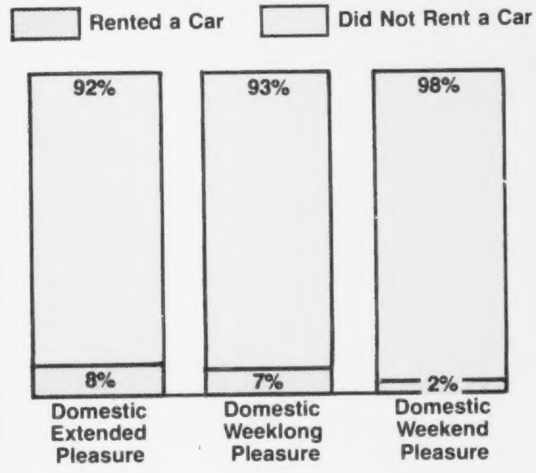
DOMESTIC PLEASURE TRAVEL: SEASON OF TRIP TAKEN*



*Percentages apply to total number of trips taken.
Source: Travel Pulse Research Service 1977-78

2-40

DOMESTIC PLEASURE TRAVEL: USE OF A RENTAL CAR*



*Percentages apply to total number of trips taken.
Source: Travel Pulse Research Service 1977-78

2-41

DOMESTIC BUSINESS TRAVEL: PURPOSE OF TRIP*

	Total Business Trips %	Total Business Travelers %
To visit clients, customers, other company office	54	31
To attend company meeting	21	27
To attend noncompany professional or business meeting	14	29
Other business purpose	14	17

*Includes multiple mentions.
Source: Travel Pulse Research Service 1977-78

2-42

DOMESTIC BUSINESS TRAVEL: ACCOMMODATIONS

	Total Business Trips %	Total Business Travelers %
Number of Nights at Paid Accommodations		
1-2 nights	51	46
3-4 nights	28	26
5 or more nights	17	22
No nights at paid accommodations	4	6
Type of Hotel/ Motel Accommodations		
Deluxe/first class	23	21
Average/medium cost	60	58
Low cost/economy	8	7

Source: Travel Pulse Research Service 1977-78

2-43

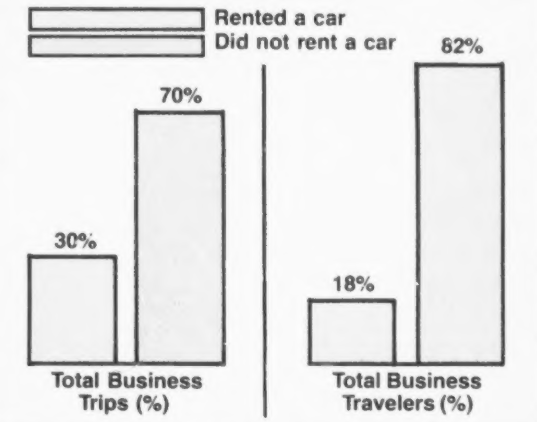
DOMESTIC BUSINESS TRAVEL: TRANSPORTATION

	Total Business Trips %	Total Business Travelers %
Primary Mode of Transportation To/From Destination*		
Commercial airline	61	52
Car	37	46
Other mode	4	7
Class of Air Travel Flown To/From Destination		
Tourist/economy/coach	43	37
First class	14	10
Single-class flight	5	4
Other class	2	2

**Includes multiple mentions.*
Source: Travel Pulse Research Service 1977-78

2-44

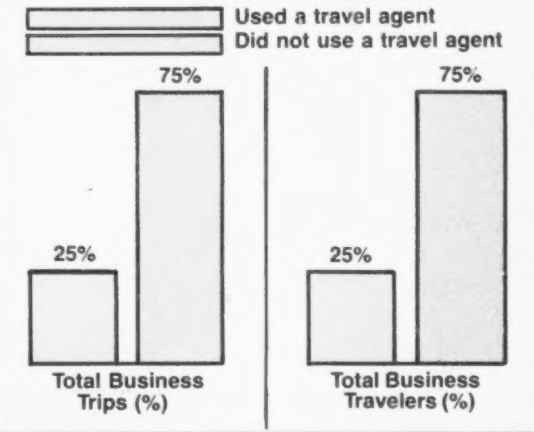
DOMESTIC BUSINESS TRAVEL: USE OF A RENTAL CAR



Source: Travel Pulse Research Service 1977-78

2-45

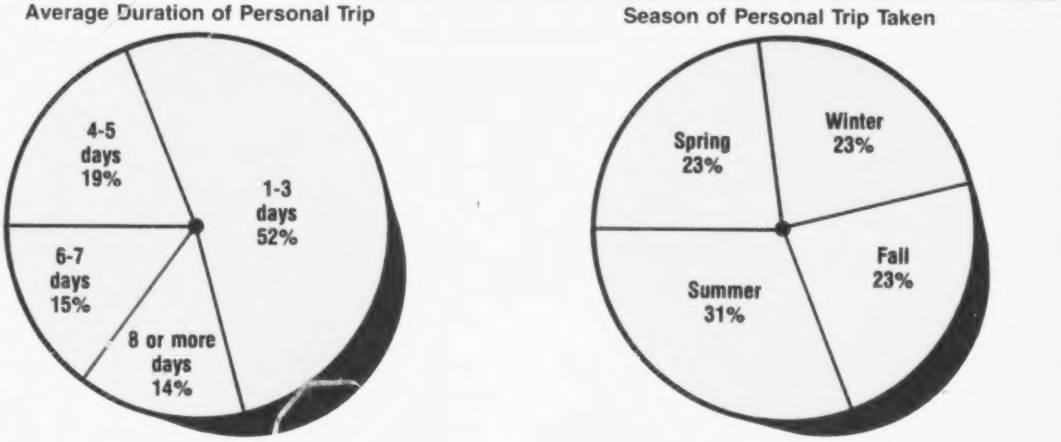
DOMESTIC BUSINESS TRAVEL: USE OF A TRAVEL AGENT



Source: Travel Pulse Research Service 1977-78

2-46

DOMESTIC PERSONAL TRAVEL: TRIP CHARACTERISTICS*



*% of total domestic personal trips.

Source: Travel Pulse Research Service 1977-78

2-47

DOMESTIC PERSONAL TRAVEL: PRIMARY DESTINATION VISITED

	Total Domestic Personal Trips %
Primary Destination Region	
Pacific	21
South Atlantic	17
East North Central	16
Mountain	14
West North Central	9
Middle Atlantic	9
East South Central	8
West South Central	5
New England	1

Source: Travel Pulse Research Service 1977-78

2-48

DOMESTIC PERSONAL TRAVEL: TRANSPORTATION

	Total Domestic Personal Trips %
Primary Mode of Transportation	
Commercial airline	42
Car/camper	62
Train/bus	2
Class of Air Travel Flown	
Tourist/economy/coach	33
Night coach	5
First class	4
Single-class flight	2

Source: Travel Pulse Research Service 1977-78

Q. What are the heavy-traveling affluents in the Northeast reading these days?

A.

Coverage of Heavy Travelers in the Northeast with $40,000+ Household Incomes by Average Issue

	Business Week	Newsweek	The New Yorker	New York	Time	Travel & Leisure	U.S. News & World Report	The New York Times Weekday	The New York Times Sunday
Took 7 or more domestic vacation/personal air round trips last year	36%	41%	25%	29%	52%	19%	27%	82%	68%
Took 7 or more domestic business air round trips last year	39	32	21	18	52	22	22	46	54
Took 2 or more foreign vacation/personal air round trips last year	13	34	8	22	42	25	15	55	71
Took 2 or more foreign business air round trips last year	28	31	19	25	46	32	19	50	63
Took 8-21 day cruise last 5 years	14	34	9	11	36	38	23	50	67
Took over 21 day cruise last 5 years	14	43	5	5	26	46	15	32	86

This table shows some dramatic reasons why The New York Times carries twice as much travel advertising as all consumer magazines combined.

Yes, an average issue of the weekday Times is read by **82 percent** of all affluent adults in the Northeast who took **seven or more** non-business air round trips in the past year.

Yes, an average issue of the Sunday Times is read by **86 percent** of all those who took a cruise of **more than 21 days** in the past five years.

The figures come from the authoritative Monroe Mendelsohn Survey of Adults and Markets of Affluence (1979) which focuses on those with household incomes of $40,000-plus a year.

More than ever, these are your best prospects... adults with well-above-average income who can and do travel...heavily.

You can reach them efficiently in the weekday New York Times or in the Sunday Travel section and the Sunday New York Times Magazine. Let us tell you **how** efficiently. Call (212) 556-1578 or your nearest New York Times office.

The New York Times

TRANSPORTATION

DOMESTIC AIRLINES

October 24, 1978 marked the effectiveness date of the Airline Deregulation Act and the beginning of a revolution in the domestic airline industry. It came at the end of a year in which the U.S. scheduled carriers set new records in traffic and earnings. (3-02) Revenue passenger miles were up 17%, passenger revenues hit $18.8 billion — a 16% increase over the previous year — while profits soared to $1.2 billion. (3-05) The industry load factor rose from 56% to 62%. (3-13)

Encouraged by a strong economy, the airlines continued to expand the travel market in 1978 with the introduction of various promotional or discount fares. Although consumer prices increased an average of 7.6%, the cost per mile for air travel averaged 8.29¢, a decline from 8.42¢ in 1977. (3-08) Some 46% of passengers on the domestic trunk carriers took advantage of the lower tariffs. (3-09)

New Routes

The Civil Aeronautics Board policy of deregulating domestic aviation continued apace in 1979. Carriers inaugurated service on scores of new routes during the first few months of the year. Continental began flying in and out of New York area airports; Eastern's planes expanded service to the northwest; Braniff enlarged its capacity in the northeast; and TWA became a major Florida carrier. The CAB was issuing new route authority on a wholesale basis, and many carriers were unable to predict when they would initiate service on a number of the routes awarded.

Having been granted new markets, many of the smaller domestic carriers discovered that they could no longer be described as "regional" or "intrastate." Allegheny, which had formerly served the mid-Atlantic and northeastern states, found itself with routes traversing the country and late in 1979, changed its name to USAir. Piedmont was also granted routes as far west as Arizona. PSA moved outside of California into Arizona and Mexico. Air Florida won a New York-Miami route by promising to offer lower fares than the incumbent carriers.

In another move based directly on the Airline Deregulation Act, the CAB granted 14 carriers permission to operate out of Chicago's Midway Airport, a field which had been virtually abandoned. First to take advantage of the Midway authority was a new carrier, Midway Airlines, which proposed low-cost service to Detroit, Cleveland, and Kansas City.

According to CAB Chairman Marvin Cohen, the Board made multiple route awards (the granting of authority to more than one carrier to operate between two points) in 422 markets during the first six months of 1979. As of September 1, there were 176 new entrants in these markets.

United Strike/DC-10 Groundings

The expansion of domestic airline routes came during a period when the industry was experiencing many other changes. For the first few months of 1979, carriers appeared to be heading for another year of record traffic — a 19% increase having been posted for the first quarter — though profits were expected to be significantly lower than 1978, due to sharply rising fuel costs and an anticipated economic slow-down in the second half of the year.

Then in April, United Airlines was grounded by a strike destined to last for two months, cutting more than 20% of the domestic industry's capacity. To complicate matters further, several carriers started experiencing fuel shortages, and there were reports of cancelled flights early in May. Finally, on the eve of Memorial Day weekend, an American Airlines DC-10 crashed on take-off at O'Hare Airport in Chicago, killing all 273 aboard. A few days later, the Federal Aviation Administration grounded all DC-10s. They had provided about 10% of the total domestic airline capacity.

United, having just resumed operations after the strike, was the nation's largest DC-10 operator. The grounding further limited attempts to regain its lost market share and to provide seats for the peak travel period. The carrier responded by adopting a revolutionary approach to recovery, offering a coupon to each of its passengers, good for a 50% discount off the normal economy/first class fare on any United flight through December 15. The move was immediately matched by American.

During the course of the giveaway, United estimated that it distributed four million coupons; American more than two million. Because the coupons were transferable, a nationwide market evolved, with entrepreneurs offering to purchase and sell the coupons. The effects of the program in terms of revenue have yet to be measured.

Airline Mergers

Although the CAB pushed ahead with deregulation in terms of route awards, it continued to assert authority on the merger front. The Board permitted North Central and Southern to become Republic Airlines, pointing out that the two carriers had very few overlapping routes. However, it turned down a similar bid by Continental and Western, contending that the merger might create a virtual monopoly in markets shared by the two carriers and United.

Another merger development found National Airlines approached by Pan Am, Eastern, and Texas International. Both Pan Am and Texas International purchased National stock, forcing its price from less than $15 to a high of $50. TI eventually withdrew from the competition, selling its holdings to Pan Am and giving the carrier control of nearly 75% of National's stock. The CAB approved the merger after telling Eastern that its proposal was not in the best interests of competition.

The merger with National will give Pan Am the domestic route structure it feels is needed to support its international services. In the meantime, however, deregulation has enabled the carrier to sell seats on domestic legs of its international flights. As a result, Pan Am has created a reasonably large domestic network, offering service between New York and Los Angeles/San Francisco, Miami and Los Angeles, and Houston and cities on both coasts.

Commuter Carriers

Another effect of deregulation in 1979 was the abandonment of small-city markets by the larger carriers. Consequently, these less profitable routes were taken over by the country's commuter airlines. According to industry estimates, commuters will serve some 850 cities by the end of 1979, and they have replaced trunk carriers at 50 U.S. airports. The number of passengers utilizing commuter aircraft has more than doubled since 1970. (3-19) In 1978, traffic increased by 15%, with a 25% growth expected for 1979.

A survey recently conducted by Aviation Consulting, Incorporated reveals that there are currently 211 commuter airlines operating a fleet of 1,427 aircraft. (3-18) While the average plane now in use has a seating capacity of 14, the carriers are planning to add larger aircraft, with approximately 100 planes of capacities from 15 to 50 passengers on order.

Fuel Costs And Fare Increases

While deregulation of the airline industry stimulated new markets in 1979, the escalating cost of fuel made it necessary for carriers to repeatedly apply for fare increases throughout the year. During the second quarter, it became apparent that the 1979 fuel bill was going to exceed earlier estimates. In July, fuel prices were 15% higher than in June and 56% higher than in July 1978. In August, they were 63% higher than the previous year. (3-07)

Carriers having obtained 4% fare increases in April and 5% increases on selected routes during the peak travel period, went back to the CAB in mid-summer for 9.5% increases. They also made adjustments in discount fares, hoping to increase their yield.

One such adjustment involved the abandonment of a $108 transcontinental fare offered by American, United, TWA, and Pan Am. The fare had been created early in the summer in response to the CAB's authorization of World Airways' low-cost, coast-to-coast scheduled service. World, a supplemental carrier, had sought the service for years, but ironically, it never really had a go at it. World's operations temporarily ceased with the grounding of the DC-10s, followed by a strike which lasted for months. The large scheduled carriers, citing the rising cost of fuel, dropped the $108 fare in the fall and restructured transcontinental discount tariffs along the lines of the old "super savers."

Late in the year, many of the airlines, reporting decreased gains in traffic for September (7.5%, down from 13.2% in August) and noting increased fuel prices, announced flight reductions on a selected basis. Carrier spokesmen described these reductions as precautionary moves in view of a slow-down in general economic growth.

1980 Outlook

In spite of strikes, aircraft groundings, and escalating fuel costs, the domestic airline industry has posted a 13.5% gain in traffic through September 30, 1979. (3-04) While carrier yield declined 4.8% in the first quarter, it was up 1.5% in the second. CAB Chairman Cohen has reported that, as of August 31, local service carriers have experienced a 31.9% growth in revenue passenger miles, with trunks growing at a 14.6% rate. Fares, measured in constant dollars, have actually declined. Using 1973 fares at a base of 100, June 1979 tariffs would be 82.

As for 1980, the cost of fuel and the impact of recession on the U.S. economy make it difficult for analysts to predict the future in hard and fast figures. Oppenheimer & Co., a leading Wall Street investment firm, recently made a downward revision in its predictions for 1979 and 1980 airline earnings because of the fuel situation. Originally, figures of $685 million and $400 million had been forecasted for 1979 and 1980 respectively. The firm now suggests $400 million and $275 million.

It is estimated that the airline fuel bill in 1979 will be 59% more than a year ago or over $5.5 billion. And though fuel costs represented some 20% of airline operating expenses in 1978, it is anticipated that they will hit 26% in 1979. (3-12) It has also been suggested that the half-fare coupons and $108 transcontinental fare will be responsible for lower yields in the second half. In addition, passenger resistence to paying higher fares and utilizing the DC-10 carriers is expected to have a negative effect that will carry over into 1980.

In a speech delivered at the Aero Club in Washington, D.C., CAB chairman Marvin Cohen told industry leaders: "I can't say that the coming year will be an easy one for the industry. I will say that deregulation has bestowed on the industry the much needed flexibility to cope with the business cycle. And, that despite the recession, consumers, as well as the industry, will benefit from lower fares and better service than existed during similar periods under regulation."

Definitions and Statistical Notes

Redefinition of Domestic Traffic: Effective January, 1970, the Civil Aeronautics Board (CAB) revised its definition of domestic traffic to include all traffic between the United States mainland, Hawaii and Alaska. This traffic had, in the past, been considered as International and Territorial.

Because of this redefinition, the domestic and international and territorial traffic and financial data for 1969-78 are not strictly comparable to 1968 and previous years.

Total Industry Data: Some carriers' figures appear only in total industry data and not in any carrier group, including: Air New England for 1977 and 1978, Alaska Airlines for 1968, Aspen Airways for 1968-78, Wright Air Lines for 1977-1978, and Air Midwest for 1977-1978. From 1977 Alaska Airlines is included in the intra-Alaskan traffic figures and in 1977-1978 in the intra-Alaskan financial figures.

Airline Categories: Domestic Trunk include American, Braniff, Continental, Delta, Eastern, National, Northwest, Pan American, Trans World, United, Western. Local Service include Allegheny (USAir), Frontier, Hughes Airwest, North Central (Republic), Ozark, Piedmont, Southern (Republic), Texas International. Intra-Hawaiian include Aloha, Hawaiian. Intra-Alaskan include Alaska, Kodiak-Western Alaska, Munz Northern, Reeve Aleutian, Wien Air Alaska. All-Cargo include Airlift International, Flying Tiger Line, Seaboard World. International and Territorial include American, Braniff, Continental, Delta, Eastern, National, Northwest, Pan American, Trans World, Western.

Definition of Terms:

Revenue Passenger Mile. One fare-paying passenger transported one mile. Revenue passenger miles are computed by multiplying the number of revenue passengers by the miles which they are flown.

Available Seat Miles. The total number of seats available for the transportation of revenue passengers multiplied by the number of miles which those seats are flown.

Revenue Passenger Load Factor. The percentage of seating capacity which is actually sold and utilized. Computed by dividing revenue passenger miles flown by available seat miles flown in scheduled revenue passenger service.

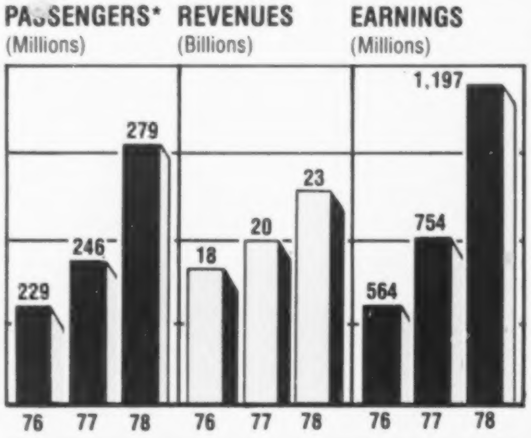
Revenue Passenger Enplanements. The total number of revenue passengers boarding aircraft in scheduled service, including originating, stopover or on-line connecting passengers.

Net Profit or Loss. This figure is before "accounting changes" and after other non-operating income and expenses which are not shown.

Yield. The average amount of revenue received per revenue passenger mile or per revenue ton mile of freight, express or mail. Computed by dividing total passenger revenue by the total number of revenue passenger miles flown. Yield for freight, express or mail is computed in the same manner.

3-01

DOMESTIC AIRLINES: 1978 AT A GLANCE



*Includes charter.
Source: Air Transport Association of America

3-02

DOMESTIC AIRLINES: 1978 AT A GLANCE

Traffic	1978	1977	Per Cent Change
Passenger Enplaned (000)*	274,719	240,326	+14.3
Revenue Passenger Miles (000)	226,781,368	193,218,819	+17.4
Available Seat Miles (000)	368,750,530	345,565,901	+ 6.7
Passenger Load Factor	61.5%	55.9%	

Financial	1978	1977	Per Cent Change
Passenger Revenues ($000)	18,806,247	16,273,355	+15.6
Freight Revenues ($000)	1,939,062	1,687,302	+14.9
Total Operating Revenues ($000)	22,883,955	19,924,800	+14.9
Total Operating Expenses ($000)	21,519,092	19,016,760	+13.2
Operating Income ($000)	1,364,863	908,040	+50.3
Profit ($000)	1,196,537	752,536**	+59.0
Rate of Return on Investment	13.0%	10.9%	
Passenger Yield	8.29¢	8.42¢	− 1.5
Freight Yield	33.65¢	31.33¢	+ 7.4

Source: Air Transport Association of America

**Excludes charter*

***Excludes cumulative effect on prior years of change in accounting for vacation pay in the amount of $44 million which was reported to the CAB in 1977.*

3-03

AIRLINE TRAFFIC 1968-1978

	Total U.S. Scheduled Airlines			Domestic Trunk Airlines			Local Service Airlines		
	1978	1977	1968	1978	1977	1968	1978	1977	1968
Passenger Traffic									
Revenue passengers enplaned (000)	274,719	240,326	162,181	196,073	172,231	118,810	48,612	41,853	23,389
Revenue passenger miles (000)	226,781,368	193,218,819	113,958,321	164,150,171	141,276,272	81,611,832	16,477,664	13,541,668	5,469,224
Available seat miles (000)	368,750,530	345,565,901	216,445,750	268,190,511	252,567,993	153,864,640	28,130,174	25,129,836	12,153,585
Revenue passenger load factor (%)	61.5	55.9	52.6	61.2	55.9	53.0	58.6	53.9	45.2
Average length of haul (miles)	825	803	703	837	820	687	339	323	235

	Int'l and Terr. Airlines			Intra-Hawaiian Airlines			Intra-Alaskan Airlines*		
	1978	1977	1968	1978	1977	1968	1978	1977	1968
Passenger Traffic									
Revenue passengers enplaned (000)	20,757	18,043	16,407	6,488	5,724	2,243	1,574	1,452	253
Revenue passenger miles (000)	44,104,146	36,609,570	26,450,644	845,433	762,153	301,429	1,066,418	924,491	76,790
Available seat miles (000)	69,199,608	64,946,986	49,575,001	1,272,622	1,157,025	580,391	1,698,128	1,560,761	204,431
Revenue passenger load factor (%)	63.7	56.4	53.4	66.4	65.9	51.9	62.8	59.2	37.6
Average length of haul (miles)	2,125	2,029	1,612	130	133	134	678	637	304

**See definitions and statistical notes for Airlines Domestic.*
Source: Air Transport Association of America

3-04

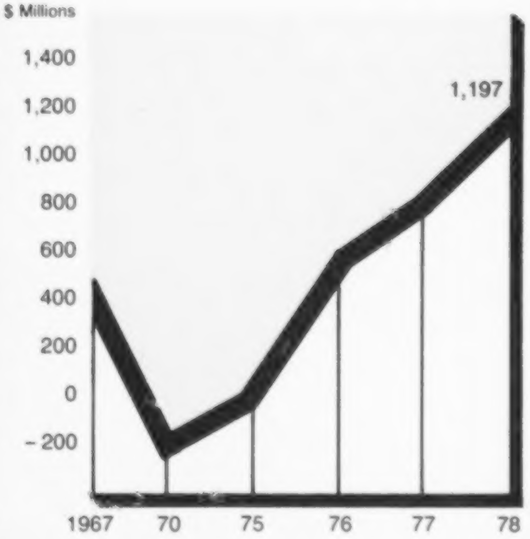
U.S. SCHEDULED AIRLINES PASSENGER TRAFFIC 9 MONTHS 1979

	Domestic Trunks	+	Local Service/ Regional	=	Total Domestic	+	International*	=	TOTAL
REVENUE PASSENGER MILES FLOWN (000)									
9 Months 1979	137,936,457		18,697,953		156,634,410		37,001,524		193,635,934
9 Months 1978	123,764,720		14,876,353		138,641,073		31,997,223		170,638,296
% Change	+11.5		+25.7		+13.0		+15.6		+13.5
AVAILABLE SEAT MILES FLOWN (000)									
9 Months 1979	211,892,207		30,247,119		242,139,326		56,456,480		298,595,806
9 Months 1978	198,423,531		24,721,677		223,145,208		48,440,734		271,585,942
% Change	+ 6.8		+22.4		+ 8.5		+16.5		+ 9.9
PASSENGER LOAD FACTOR (Per Cent)									
9 Months 1979	65.1		61.8		64.7		65.5		64.8
9 Months 1978	62.4		60.2		62.1		66.1		62.8

**Northwest Airlines data not included.*
Source: Air Transport Association of America; Aviation Daily

3-05

AIRLINE EARNINGS 1967-1978



Source: Air Transport Association of America

3-06

AIR TRAFFIC AT TOP 25 AIRPORTS 1978

	Passengers (Arriving & Departing)	Aircraft Movements* (Landings & Takeoffs)
Chicago O'Hare	49,151,449	777,158
Atlanta	40,190,086	556,992
Los Angeles	32,900,664	538,987
John F. Kennedy	25,056,039	340,126
San Francisco	23,040,603	355,896
Dallas/Ft. Worth	19,857,416	408,409
Denver	18,934,054	466,645
La Guardia	17,279,908	374,161
Miami	16,500,738	355,086
Honolulu	14,703,764	379,106
Washington National	14,176,233	352,044
Boston	13,543,062	299,905
Detroit	10,099,864	267,862
Houston Intercontinental	9,749,425	269,641
Pittsburgh	9,664,404	336,366
Philadelphia	9,549,434	333,500
Las Vegas	9,110,842	345,711
Minneapolis-St. Paul	8,727,195	263,461
Newark	8,628,613	206,121
Seattle-Tacoma	8,364,446	194,991
St. Louis	8,236,504	340,324
Cleveland	7,054,842	236,952
Tampa	6,984,037	223,155
San Diego	6,185,583	203,808
New Orleans	6,046,628	180,904

**Includes general aviation.*
Source: Air Transport Association of America; Airport Operators Council International

3-07

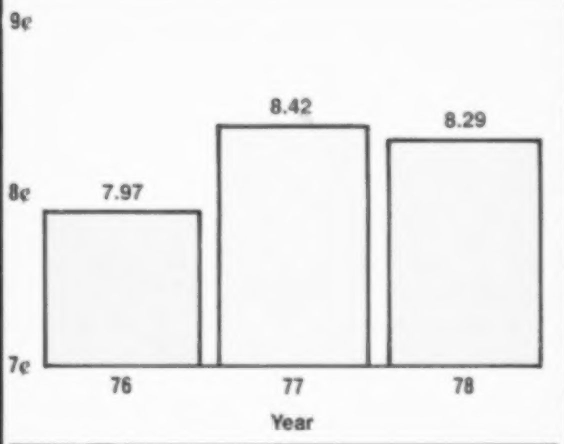
U.S. TRUNKS AND LOCAL SERVICE CARRIERS FUEL COST AND CONSUMPTION AUGUST 1979

Carrier Type of Operation	Total Gallons	Total Cost (Dollars)	Average Price Per Gallon (Cents)	Percent Change Over Prior Month	Percent Change Over Same Month Last Year	Percent Change Over July 1973
Domestic trunks						
Scheduled	728,485,283	$460,435,966	63.205	7.34	63.14	414.07
Nonscheduled	5,928,321	$3,653,478	61.628	6.09	57.09	0.00
Total	734,413,604	$464,089,444	63.192	7.33	63.08	413.97
Domestic locals						
Scheduled	90,785,635	$58,915,937	64.896	8.09	62.44	403.66
Nonscheduled	,801,143	$521,272	65.066	9.35	56.40	0.00
Total	91,586,778	$59,437,209	64.897	8.10	62.28	403.66
Total Domestic	**826,000,382**	**$523,526,653**	**63.381**	**7.41**	**62.99**	**413.46**
International trunks						
Scheduled	175,066,679	$125,421,031	71.642	3.07	68.23	433.05
Nonscheduled	9,092,442	$7,092,039	77.999	13.27	79.70	0.00
Total	184,159,121	$132,513,070	71.956	3.56	68.71	435.39
International locals						
Scheduled	2,929,534	$1,699,226	58.003	7.99	43.80	0.00
Nonscheduled	320,491	$234,671	73.222	12.28	61.92	0.00
Total	3,250,025	$1,933,897	59.504	8.22	44.78	0.00
Total International	**187,409,146**	**$134,446,967**	**71.740**	**3.63**	**68.31**	**433.78**

Source: Civil Aeronautics Board; Aviation Daily

3-08

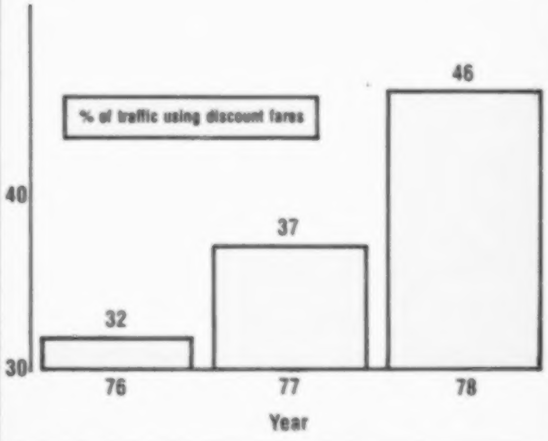
COST OF FLYING ONE MILE (¢)



Source: Air Transport Association of America

3-09

DOMESTIC AIRLINES DISCOUNT TRAFFIC*



Domestic trunk carriers.

Source: Air Transport Association of America

3-10

TOP 25 DOMESTIC AIRLINE MARKETS*

Passengers		Passenger Miles	
1. New York/Newark-Washington, D.C.	1,872,070	1. Los Angeles-New York	4,123,026,250
2. Boston-New York	1,849,680	2. New York/Newark-San Francisco	2,914,525,530
3. Chicago-New York	1,830,120	3. Miami-New York	1,995,603,400
4. Miami-New York	1,809,120	4. Chicago-Los Angeles	1,867,234,320
5. Ft. Lauderdale-New York	1,695,840	5. Ft. Lauderdale-New York	1,821,861,580
6. Los Angeles-New York	1,643,890	6. Honolulu-Los Angeles	1,400,897,490
7. New York/Newark-San Francisco	1,110,920	7. Chicago-New York	1,350,530,750
8. Los Angeles-San Francisco	1,106,920	8. Los Angeles-Washington, D.C.	971,860,270
9. Chicago-Los Angeles	1,053,460	9. Chicago-San Francisco	899,710,230
10. Honolulu-Lihue, Kauai	793,140	10. Boston-Los Angeles	894,604,130
11. Las Vegas-Los Angeles	788,520	11. San Francisco-Washington, D.C.	799,070,710
12. Atlanta-New York	769,490	12. Honolulu-San Francisco	765,780,150
13. Detroit-New York	743,220	13. Boston-San Francisco	728,745,200
14. Honolulu-Kahului, Maui	710,090	14. Houston-New York	711,948,810
15. New York/Newark-Pittsburgh	649,580	15. Los Angeles-Philadelphia	709,622,810
16. Chicago-Minneapolis	638,090	16. Dallas/Ft. Worth-New York	697,685,070
17. Boston-Washington, D.C.	637,660	17. Denver-New York	656,558,420
18. Chicago-Detroit	595,460	18. Los Angeles-Miami	648,653,350
19. New York/Newark-Orlando	566,670	19. Honolulu-New York	622,932,930
20. Cleveland-New York	560,100	20. Atlanta-New York	603,626,350
21. Honolulu-Los Angeles	540,710	21. Detroit-Los Angeles	599,060,940
22. Chicago-Washington, D.C.	540,250	22. New York/Newark-Orlando	546,381,630
23. New York/Newark-Tampa	526,550	23. New York/Newark-Tampa	537,323,020
24. Buffalo-New York	506,540	24. New York/Newark-Phoenix	504,723,750
25. Chicago-St. Louis	503,840	25. Philadelphia-San Francisco	504,175,690

**12 months ended June 1978.*
Source: Air Transport Association of America

3-11

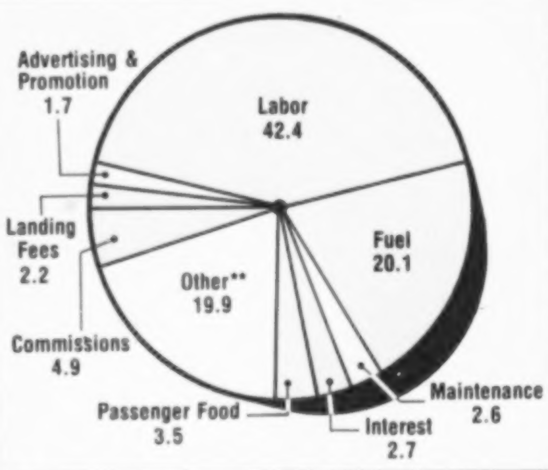
AIRLINES EXPENSE DISTRIBUTION 1977 VS. 1978*

Operating Expenses	1978 (%)	1977 (%)
Labor	42.4	42.2
Fuel	20.1	20.6
Commissions	4.9	2.5
Passenger Food	3.5	3.5
Interest	2.7	1.9
Maintenance	2.6	3.0
Landing Fees	2.2	2.5
Advertising & Promotion	1.7	4.6
Other**	19.9	19.8

**Based on cash operating expense plus interest.*
***Includes, for example, terminal and office rentals, insurance, utilities, telephone, and miscellaneous supplies.*
Source: Air Transport Association of America

3-12

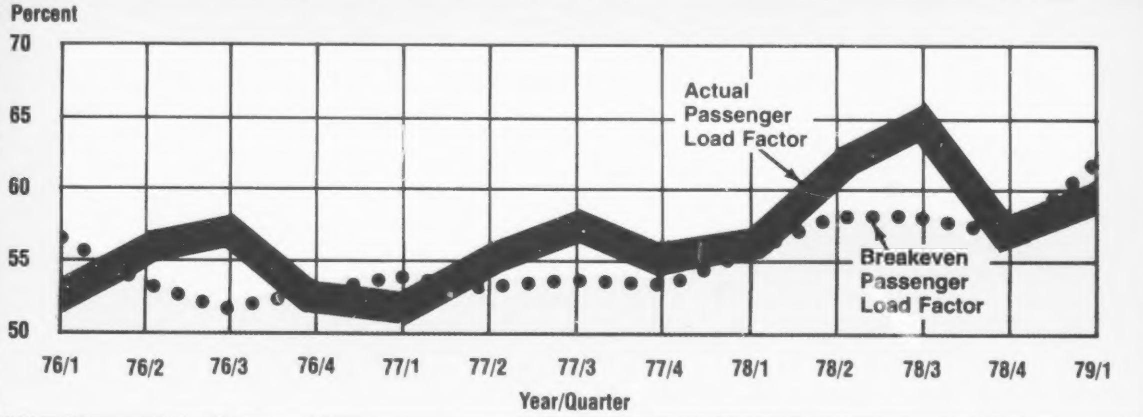
1978 AIRLINE EXPENSE DISTRIBUTION*



**Based on cash operating expense plus interest.*
***Includes, for example, terminal and office rentals, insurance, utilities, telephone, and miscellaneous supplies.*
Source: Air Transport Association of America

3-13

U.S. TRUNK SYSTEM: PASSENGER LOAD FACTOR



Source: Boeing Company

3-14

AIRLINE SERVICE IN 1978*

Enplanements		Revenue Passenger Miles	
1. United	40,729	1. United	39,399,228
2. Eastern	37,819	2. American	28,987,078
3. Delta	36,256	3. Trans World	26,967,353
4. American	27,989	4. Eastern	25,183,415
5. Trans World	19,726	5. Delta	23,332,254
6. Allegheny	12,838	6. Pan American	21,054,983
7. Braniff	11,551	7. Western	10,188,474
8. Western	11,129	8. Braniff	9,604,422
9. Continental	9,398	9. Continental	8,626,206
10. Pan American	8,675	10. National	7,892,599
11. National	6,983	11. Northwest	7,018,305
12. North Central	6,732	12. Allegheny	4,083,420
13. Northwest	6,575	13. Hughes Airwest	2,483,990
14. Hughes Airwest	6,247	14. Frontier	2,377,931
15. Frontier	5,531	15. North Central	1,714,134
16. Ozark	4,586	16. Texas International	1,560,554
17. Piedmont	4,580	17. Ozark	1,488,239
18. Southern	4,111	18. Piedmont	1,434,409
19. Texas International	3,987	19. Southern	1,334,987
20. Hawaiian	3,712	20. Alaska	783,079
21. Aloha	2,776	21. Hawaiian	481,754
22. Alaska	933	22. Aloha	363,679
23. Wien Air Alaska	563	23. Wien Air Alaska	235,820
24. Air New England	538	24. Air New England	69,091
25. New York Airways	282	25. Reeve Aleutian	46,271
26. Aspen	200	26. Aspen	24,350
27. Wright	109	27. Air Midwest	20,617
28. Air Midwest	84	28. Wright	10,753
29. Reeve Aleutian	58	29. Seaboard World	7,798
30. Kodiak-Western Alaska	18	30. New York Airways	4,927
31. Munz Northern	2	31. Kodiak-Western Alaska	1,017
32. Seaboard World	2	32. Munz Northern	231

**All data are for system operations and are in thousands.*
Source: Air Transport Association of America

3-15

U.S. SCHEDULED AIRLINES: AIRCRAFT IN SERVICE

Manufacturer	Model	1978	1977	1968
Airbus Industrie:	A300	6	4	—
Boeing:	B707 (Jet)	207	235	380
	B720 (Jet)	9	17	134
	B727 (Jet)	909	818	516
	B737 (Jet)	151	140	66
	B747 (Jet)	112	99	—
British Aircraft:	BAC 111 (Jet)	30	31	60
Canadair:	CL 44 (Turboprop)	—	—	14
Convair:	240	—	—	3
	340/440	—	4	46
	580/600 (Turboprop)	50	78	148
	880 (Jet)	—	—	41
	990 (Jet)	—	—	6
Curtiss:	C-46	—	2	7
Fairchild Hiller:	F-27 (Turboprop)	5	6	47
	FH-227 (Turboprop)	23	24	55
Lockheed:	Electra (Turboprop)	7	17	86
	L-328B/100 (Turboprop)	—	—	9
	L1011 (Jet)	84	78	—
Martin:	404	—	7	46
McDonnell Douglas:	DC-3	—	1	14
	DC-6	—	1	7
	DC-7	—	—	15
	DC-8 (Jet)	127	133	217
	DC-9 (Jet)	367	352	260
	DC-10 (Jet)	126	121	—
Nihon:	YS-11 (Turboprop)	20	23	9
Nord Aviation:	262 (Turboprop)	9	3	—
Sud Aviation:	Caravelle (Jet)	—	—	20
Vickers:	Viscount (Turboprop)	—	—	19
Others:		21	32	72
Totals:				
Jet		2,128	2,030	1,700
Turboprop		114	168	412
Piston		21	28	185
Total Fixed Wing:		2,263	2,226	2,297
Helicopters:				
Sikorsky:	S58	—	—	3
	S61 (Turbine)	3	3	8
	S62 (Turbine)	—	—	1
Boeing Vertol:	V107 (Turbine)	—	—	4
Total Helicopters:		3	3	16

Source: Air Transport Association of America

3-16

DOMESTIC AIRLINE FLEET COMPOSITION 1978

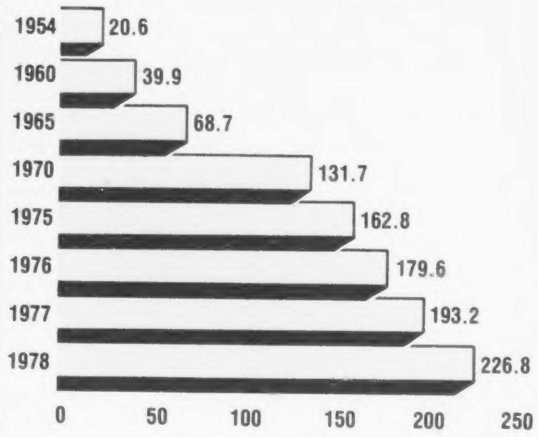
Air California-B-737 (10), L-188 (3)
Air Florida-DC-9 (5), B-737 (2), CV-440 (2), DC-3 (4)
Air New England-DHC-6 (10), FH-227(8)
Alaska Airlines-B-727 (9)
Allegheny Airlines-BAC-111 (30), DC-9 (45), B-727 (9), ND-262 (9)
Aloha Airlines-B-737 (8)
American Airlines-B-707 (72), B-727 (136), B-747 (10), DC-10 (28)
Braniff International-B-727 (85), B-747 (4), DC-8 (14)
Capitol International-DC-8 (10)
Continental Airlines-B-727 (51), DC-10 (15)
Delta Air Lines-B-727 (108), DC-8 (23), DC-9 (49), L-1011 (26)
Eastern Air Lines-B-727 (125), DC-9 (84), L-1011 (32), A-300 (7)
Evergreen International-DC-8 (6), DC-9 (3), CV-508 (5), L-188 (5)
Flying Tiger Line-B-747 (6), DC-8 (20)
Frontier Airlines-B-737 (32), CV-580 (27), DHC-6 (3)
Hawaiian Airlines-DC-9 (9), SD-330 (1)
Hughes Airwest-B-727 (4), DC-9 (41), F-27 (4)
National Airlines-B-727 (40), DC-10 (15)
North Central Airlines-DC-9 (36), CV-580 (23)
Northwest Airlines-B-727 (62), B-747 (21), DC-10 (22)
Ozark Air Lines-DC-9 (32), FH-227 (13)
Pan American World Airways-B-707 (33), B-727 (13), B-747 (44)
Piedmont Airlines-B-727 (6), B-737 (22), YS-11 (17)
PSA-Pacific Southwest Airlines-B-727 (30), L-188 (4)
Southern Airways-DC-9 (30), SA-226 (8)
Texas International Airlines-DC-9 (26), CV-600 (3)
Trans World Airlines-B-707 (83), B-727 (71), B-747 (9), DC-9 (13), L-1011 (24)
United Airlines-B-727 (156), B-737 (59), B-747 (18), DC-10 (37), DC-8 (70)
Western Airlines-B-707 (5), B-720 (9), B-727 (33), B-737 (22), DC-10 (9)
Wien Air Alaska-B-737 (7), FH-227 (2), F-27 (1)
Air Canada-B-727 (15), B-747 (6), DC-8 (27), DC-9 (46), L-1011 (10)
CP Air-B-727 (2), B-737 (7), B-747 (4), DC-8 (11)

Source: Air Transport Association of America

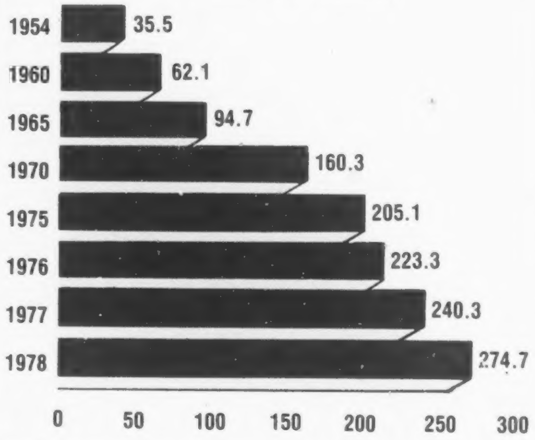
3-17

GROWTH OF THE U.S. SCHEDULED AIRLINES INDUSTRY

1954-1978
Air Passenger Miles (Billions)



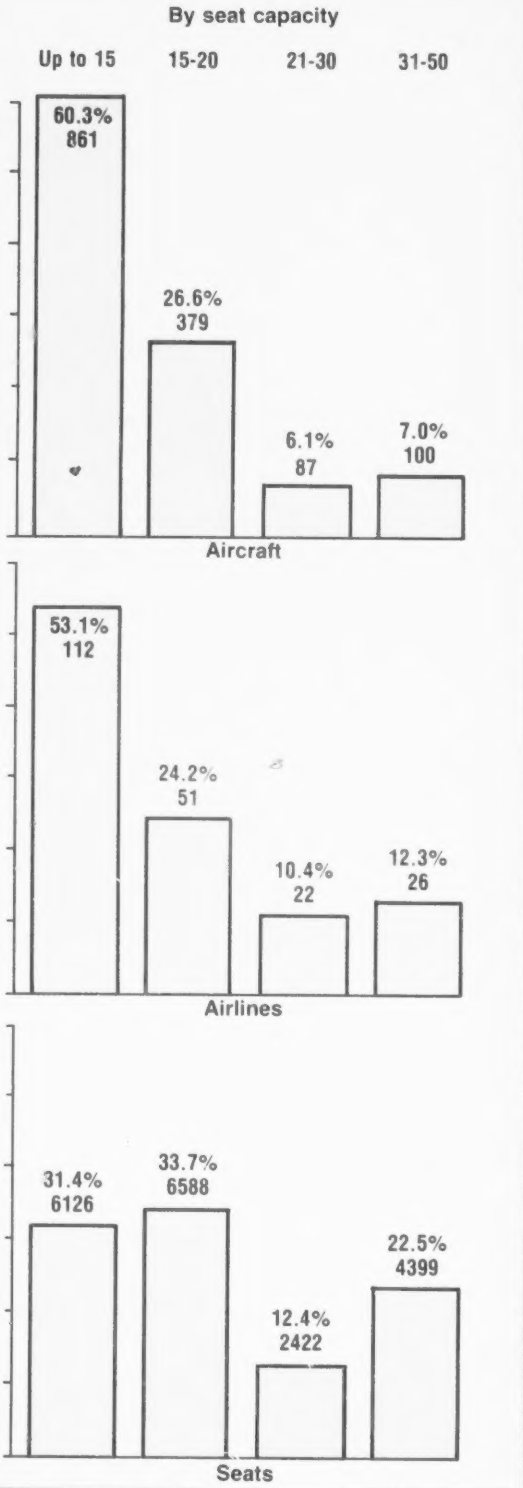
1954-1978
Air Passengers (Millions)



Source: Air Transport Association of America

3-18

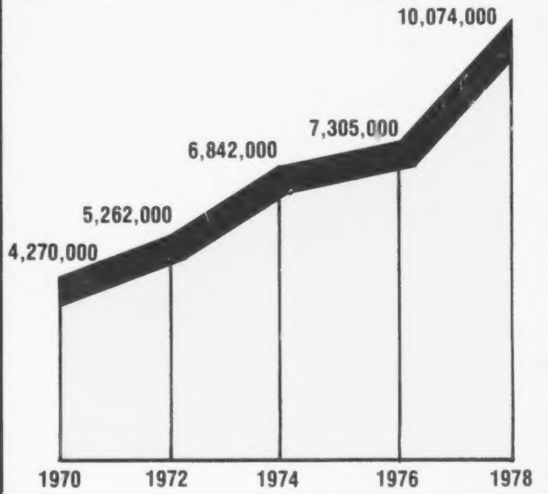
U.S. COMMUTER AIRCRAFT POPULATION



%–Percentage of total for category.
Number in respective categories.
Source: Aviation Consulting Incorporated

3-19

U.S. COMMUTER AIRLINES: GROWTH OF PASSENGERS 1970-1978



Source: U.S. News & World Report *based on data from the CAB*

3-20

U.S. SCHEDULED AIRLINES: AIRCRAFT ON ORDER*

		Aircraft on Order for Delivery			
Manufacturer	**Model**	**1979**	**1980**	**1981 & Beyond**	**Total on Order**
Airbus Industrie:	A300	5	5	6	16
Boeing:	B-727	58	72	26	156
	B-737	13	8	4	25
	B-747	34	11	24	69
	B-757	—	—	21	21
	B-767	—	—	60	60
Lockheed:	L-1011	10	6	15	31
McDonnell Douglas:	DC-9	19	25	11	55
	DC-10	6	11	2	19
Total Aircraft on Order:		145	138	169	452

**As of June 1, 1979.*
Source: Air Transport Association of America

First in readership in the market that's first in per capita air travel.

Source: Civil Aeronautics Board.

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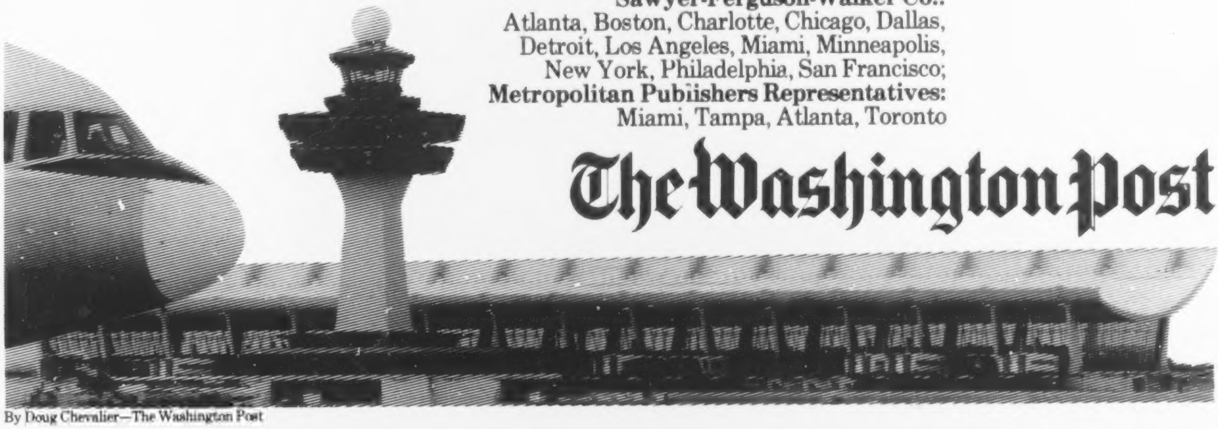

By Doug Chevalier—The Washington Post

INTERNATIONAL AIRLINES

1979 was a year of continued growth for the world's air carriers, and although final figures have not been released, an 11.9% increase in passenger kilometres for the IATA* international scheduled airlines is forecast. Predictions also indicate an average annual growth rate of 9.6% over the next five years. (3-22) This follows a remarkable surge in traffic demand for international air travel in 1978, when a 15.5% jump in passenger kilometres marked the highest percentage increase since the fuel crisis of 1973/74.

IATA carriers also registered a 61.6% load factor on international scheduled flights in 1978, the greatest attained in 20 years. This developed along with an increase of 9% in scheduled international seating capacity, largely due to reconfiguration of seats in existing equipment and the introduction of more wide-bodied aircraft. In addition, overall financial results indicated a positive performance. While operating expenses rose 10.8%, revenues were up by 11.8%, creating a net result of 3.4% of total revenue. The comparable figure for 1977 was 2.5%. (3-26)

The North Atlantic Market

The growth in traffic, capacity, load factors, and revenues for the IATA-member scheduled airlines can be traced, in part, to a significant decrease in the use of non-scheduled, or charter, services both domestically and internationally. The most dramatic diversion of traffic occurred in the North Atlantic market, a trend which has continued into 1979. After two years of moderate increases, the IATA scheduled carriers saw a 22% boost in traffic during 1978, while IATA charter traffic fell off by some 27%. (3-25) Translated into market shares, figures reveal that the IATA skeds carried 75% of all North Atlantic passengers, compared to 7% carried by the non-skeds.

It was the proliferation of discount and promotional fares that created the climate for such a change in travel patterns. The average economy fare dropped about 3%. (3-28) Budget, standby, and super apex (advance purchase excursion) plans attracted passengers on both sides of the Atlantic. In fact, apex (normal and super) fares accounted for 27% of the scheduled market. (3-27) The economical tariffs produced load factors of 66% on North Atlantic scheduled flights. (3-29)

Air Travel To The U.S.

One of the most significant trends in international air travel — both on the North Atlantic and worldwide — was the dramatic increase in the number of non-U.S. citizens traveling by air to the United States in 1979. U.S. Immigration Service statistics for the year ending June 30, compared with those for the previous fiscal year, indicate a 27.1% increase in the arrival of aliens from all other countries versus a 10.1% increase in departures from the U.S. by American citizens. (3-30) There was a 29.8% increase in the arrival of Europeans, with a 3.7% increase in the number of U.S. citizens choosing Europe as their first destination.

If the trend should continue for another year — and recent reports indicate that it will — alien arrivals will surpass citizen departures by air between the United States and Europe as well as all world regions.

The declining value of the U.S. dollar was probably the major contributing factor to an easing of American air travel abroad and a surge in foreigners visiting the U.S. An example can be seen in the 27.9% increase in departures of U.S. citizens to Mexico, traditionally considered a "low-cost" destination. The number of Americans flying to Mexico jumped from 1,232,912 to 1,577,208, making the country the most popular first destination of U.S. air travelers.

By comparison, the United Kingdom — most popular first destination in fiscal year 1978 — experienced only a 7.1% increase, despite the availability of numerous bargain air fares. Germany, historically ranking as the second most popular first destination in Europe, saw U.S. citizen air arrivals increase by less than 1%, from 527,922 to 530,022.

Deregulation

Whether foreigners or U.S. citizens, passengers boarding international flights in 1979 took advantage of the U.S. government's deregulation policies. Eastern and southern residents of the U.S., who had previously funneled through the New York gateway enroute to Europe, could book non-stop flights from Atlanta, Miami, Houston, or Dallas.

Transatlantic travelers found themselves on Northwest flights to the U.K. and Scandinavia, National Airlines flights from New York to Amsterdam, Braniff flights from Dallas/Fort Worth or Boston to Amsterdam, Paris, Brussels, or Frankfurt. Passengers also used the newly authorized scheduled services of supplemental carriers, Capitol and Trans International (now Transamerica), between New York or Chicago and Brussels or Amsterdam.

El Al inaugurated service from Miami to Tel Aviv. Sabena increased its capacity between Atlanta and Brussels. Alia carried oil men from

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*International Air Transport Association

Houston to Jordan, and Trans International served Bangor, Maine, enroute from Los Angeles to Amsterdam on its new scheduled route.

In the Pacific, Continental started flying to Australia and New Zealand; Braniff to Hong Kong and Seoul. Singapore Airlines and Thai International entered the market, while relatively small Air Niugini extended its routes as far as Honolulu.

Deregulation also enabled the scheduled carriers to offer a wider variety of discount fares, and they took advantage of the relaxed policies of the CAB to fill traditionally empty seats, particularly during the off-peak season. There were mid-week minifares to Scandinavia on SAS, TWA's long-weekend fares to Paris and Finnair's to Helsinki, in addition to budget and standby fares on British Airways, Pan Am, and TWA between the U.S. and the U.K. A newly signed bi-lateral agreement with Australia created low-cost advance purchase, budget, and standby programs to and from that country.

Fare Increases

Despite their attempts to offer bargain fares, the international airlines were hampered by escalating fuel prices. (3-21) Carriers, which had once designated 12 to 15% of operating expenses for fuel, discovered that such costs required 25% of their budgets and anticipated an eventual one-third of expenses. As a result, transatlantic carriers increased fares by about 7% in the spring, another 10 to 15% in early fall, and an additional 5 to 7% before the first of the year.

With proliferating requests to increase fare levels, the CAB took the opportunity to promote deregulation by exercising its control over international tariffs. It approved across-the-board increases for carriers of foreign countries which had signed liberal bi-lateral air travel agreements. Such agreements, the Board felt, were in the best interests of decontrol, allowing more competition and fewer restrictions on fares.

At the same time, the CAB disapproved proposed increases in the normal economy fares of those carriers whose countries had not yet signed relaxed bi-laterals. By fall, the U.S. government had reached new, less restrictive agreements with Belgium, the Netherlands, West Germany, Israel, Australia, Jamaica, Costa Rica, South Korea, and Singapore.

The CAB and IATA

The CAB's policy toward decontrol of air travel led to friction between the U.S. government agency and the International Air Transport Association during 1979. Historically, IATA members have met regularly to negotiate fare agreements throughout the world, such agreements being subject to approval by the various nations whose carriers participate. However, the CAB indicated that it wished to withdraw U.S. approval from all tariff negotiations — even those involving U.S. carrier routes.

Foreign governments responded with strenuous objections, and late in the year, the Board advised IATA that it would enter tariff discussions relating to travel between points outside of the United States. Nevertheless, as of October 1979, National Airlines was the only domestic carrier which retained membership in the organization's fare negotiation activities. Five other U.S. airlines — American, Braniff, Eastern, TWA, and United — dropped out of the talks, although any of them may rejoin this phase of IATA on 30 days' notice.*

In the meantime, IATA itself had taken steps to liberalize procedures. Currently, carriers are permitted to participate only in the association's administrative functions, not necessarily in fare negotiations. Furthermore, recent negotiations and resulting agreements leave more latitude for the introduction of innovative fare concepts which are not subject to approval by competing carriers.

World Air Traffic

In light of developments within IATA — notably the withdrawal of several U.S. carriers — traffic statistics for non-IATA airlines reveal a greater market share of combined scheduled and charter services than in previous years. (3-31) Latest figures show IATA carriers with a 70.7% portion of total world traffic, down from 74.3% in 1977. (Note: World traffic is defined as the operations of all IATA and non-IATA carriers recorded by the ICAO, International Civil Aviation Organization.)

World airlines as a whole have shown traffic gains similar to those of IATA carriers. Combined international and domestic scheduled passenger traffic increased 15% in 1978 — international alone up 15.2% — the most dramatic growth since 1972. This trend is expected to continue through the 1980's with moderating percentage annual growth. (3-33) While capacity improved by 7% in 1978, load factors reached a high of 62% on international flights. (3-32) Net revenues, in turn, registered significant increases.

In general, the upward trends reflect stable economic conditions in many of the world's air traffic-generating countries. To date, despite the DC-10 groundings which affected a number of international carriers, most world airlines have posted healthy percentage gains in passengers served.

Northwest and Continental have not been members of IATA for some time. Pan Am, Delta, and Allegheny resigned their memberships last year.

Definitions

SCHEDULED SERVICES *(Revenue)* Scheduled flights performed according to a published timetable, or so regular or frequent as to constitute a recognisably systematic series which are open to use by the public; extra flights occasioned by overflow traffic from the scheduled flights; and preparatory revenue flights on planned air services.

NON-SCHEDULED FLIGHTS *(Revenue)* Charter flights and special flights performed for remuneration on an irregular basis, including empty flights related thereto and "inclusive tours" other than those reported under scheduled services.

REVENUE This term used in expressions concerning
a) operations — relates to flights and flight stages for which remuneration is received;
b) passengers — relates to passengers paying 25% or more of the normal applicable fare;

NUMBER OF REVENUE PASSENGERS CARRIED Each passenger on a particular flight (with one flight number) should be counted once only and not repeatedly on each individual flight stage of that flight, with the single exception that passengers flying on both international and domestic flight stages of the same flight number may be broken down at the gateway point.

REVENUE PASSENGER KILOMETRES FLOWN The sum of the products obtained by multiplying the number of revenue passengers carried on each flight stage by the flight stage distance.

AVAILABLE SEAT-KILOMETRES The sum of the products obtained by multiplying the number of passenger seats available on each flight stage by the flight stage distance. Excluded from the calculations are seats not actually available for sale.

REVENUE PASSENGER LOAD FACTOR Revenue passenger kilometres expressed as a percentage of available seat-kilometres.

3-21

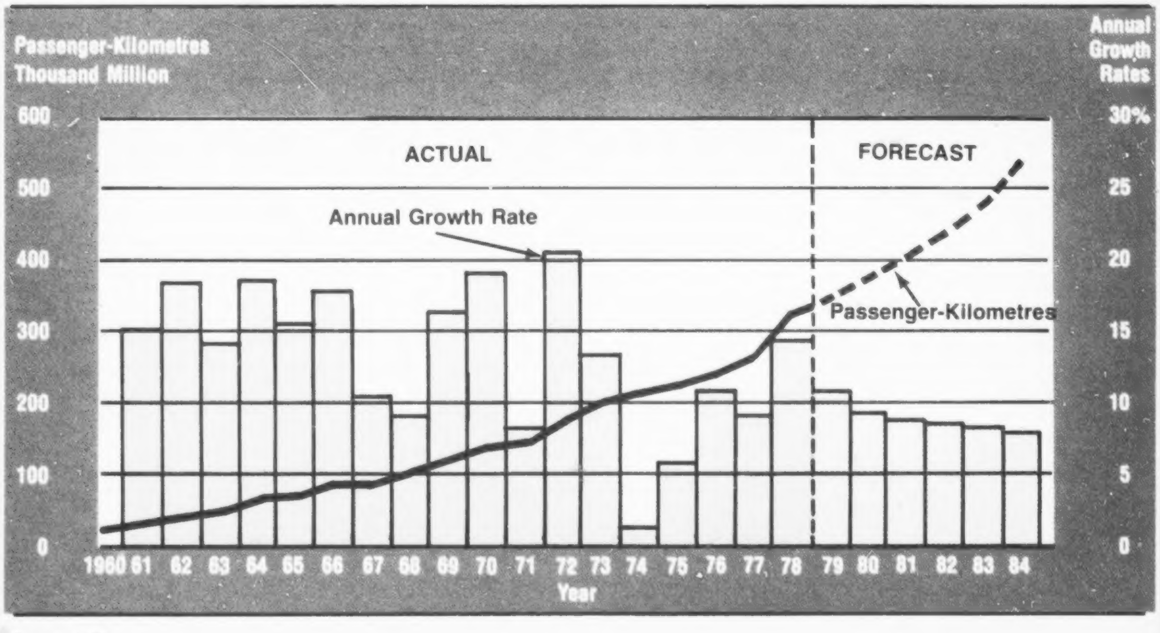
TWA INTERNATIONAL FUEL CONTRACT PRICES JULY 1/OCTOBER 1, 1979

Station	July 1, 1979	October 1, 1979	Increase
Athens	87.50¢	94.50¢	8.0%
Barcelona	83.50	88.90	6.5
Cairo	85.15	109.87	29.0
Frankfurt	71.75	89.47	24.7
Lisbon	114.00	123.00	7.9
London	68.50	82.00	19.7
Madrid	83.55	93.80	12.3
Malaga	82.80	93.05	12.4
Milan	70.50	85.50	21.3
Paris	69.50	84.50	21.6
Rome	64.35	87.07	29.1
Tel Aviv	102.00	132.00	29.4
Vienna	85.75	100.18	16.8
U.S. Gateways	54.10	68.52	26.7
Average Contract Price	65.87¢	80.67¢	22.0%
Average Including Spot Purchases	70.00¢	n.a.	

Source: *Trans World Airlines*

3-22

TOTAL IATA INTERNATIONAL SCHEDULED PASSENGER TRAFFIC



Source: *IATA*

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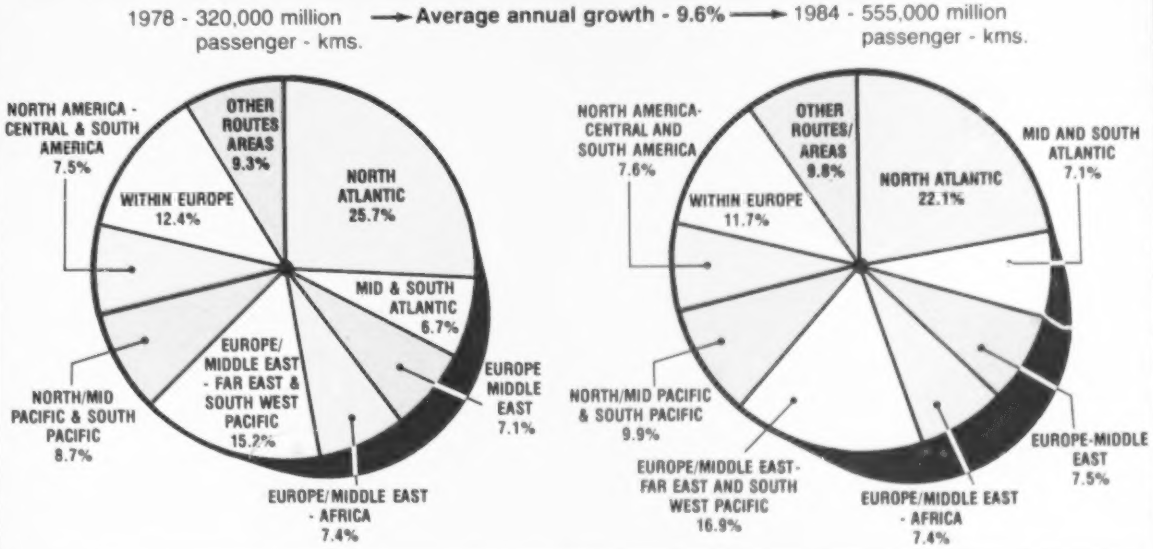
3-23

REGIONAL TRAFFIC SHARES OF IATA SCHEDULED PASSENGER TRAFFIC

(Percentage of Total Traffic)



Source: IATA

3-24

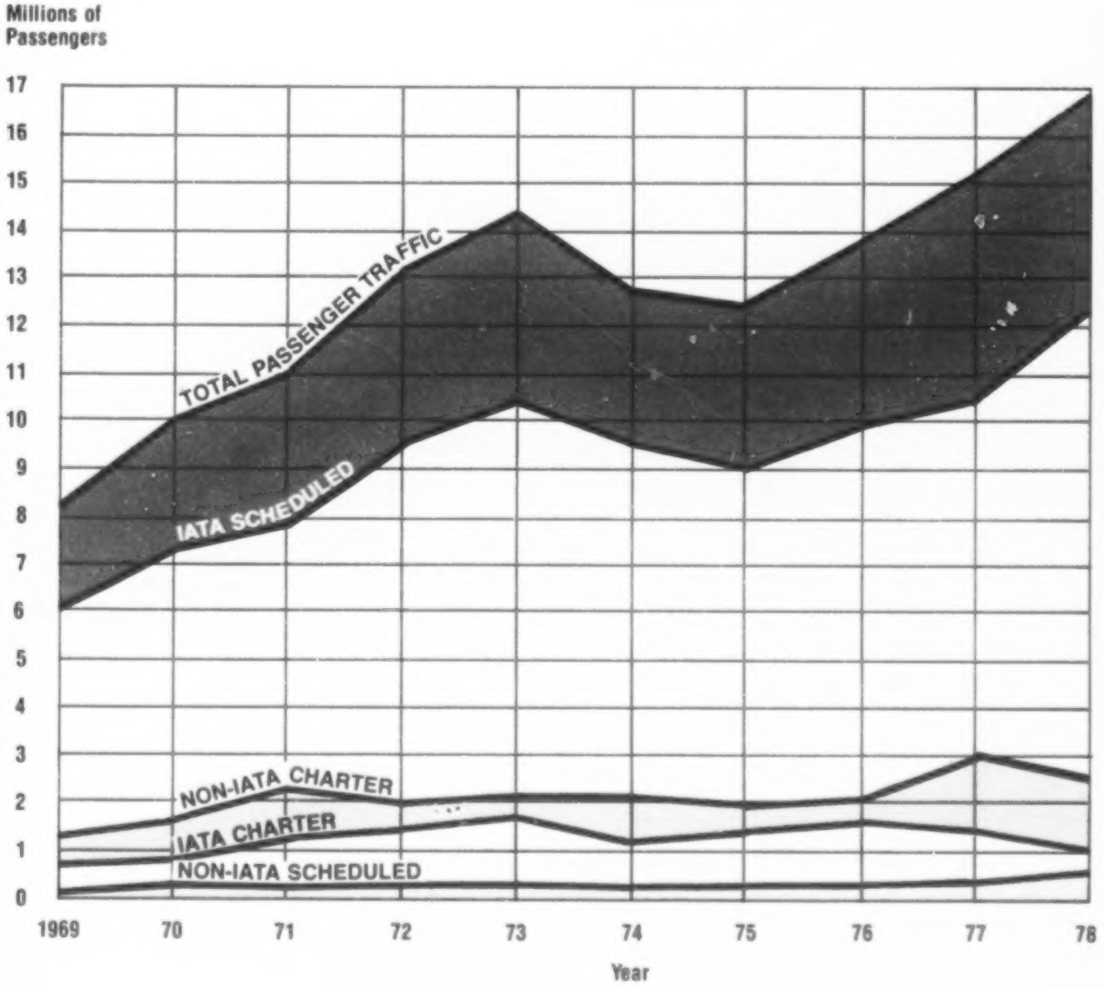
GROWTH OF TRAFFIC AND CAPACITY FOR IATA AIRLINES 1978

Percentage change — 1978 over 1977

	Kilometres Flown	Aircraft Departures	Hours Flown	Passenger Kilometres Flown	Tonne-Kilometres Performed	Available Tonne-Kilometres
Total scheduled services						
International	5.8%	4.1%	5.6%	15.5%	13.7%	8.9%
Domestic	4.9%	3.3%	5.4%	15.6%	14.8%	7.5%
TOTAL	5.3%	3.5%	5.5%	15.5%	14.2%	8.3%
Non-scheduled services						
International	– 9.1%	2.7%	– 7.2%	–16.6%	–10.4%	– 8.9%
Domestic	–22.7%	– 2.0%	–15.5%	–34.3%	–31.0%	–28.9%
TOTAL	–12.7%	– 0.1%	– 9.8%	–21.4%	–14.7%	–13.3%
Total all services						
International	4.6%	4.1%	4.6%	12.8%	11.7%	7.7%
Domestic	4.2%	3.1%	4.8%	13.8%	13.4%	6.5%
TOTAL	4.4%	3.4%	4.7%	13.2%	12.4%	7.2%

Source: IATA

TOTAL NORTH ATLANTIC PASSENGER TRAFFIC 1969-1978



TOTAL NORTH ATLANTIC PASSENGER TRAFFIC 1974-1978

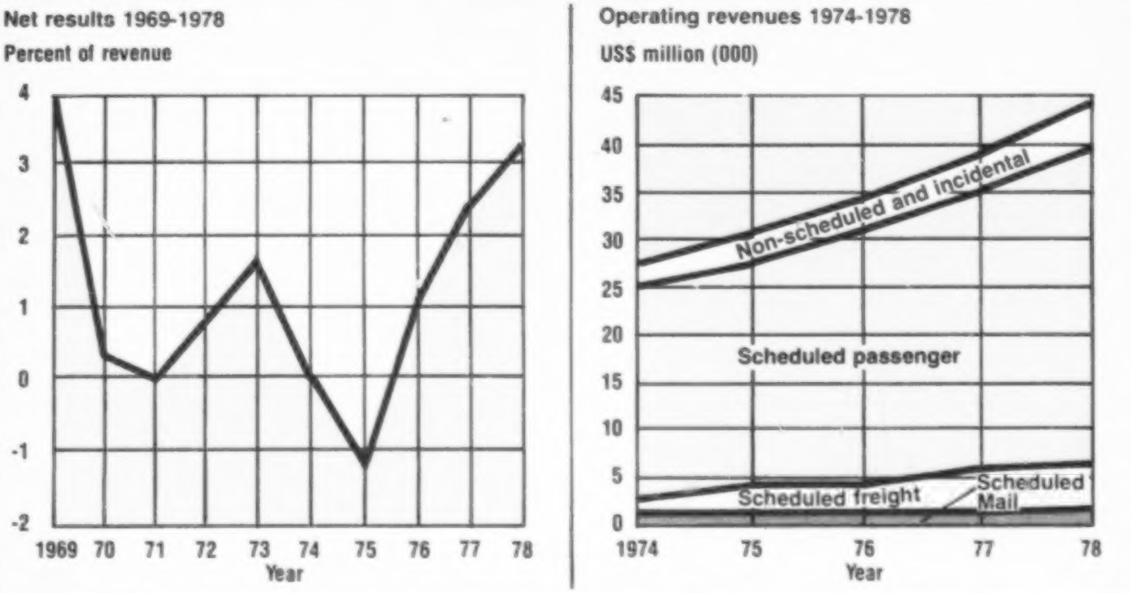
Passengers (000)	1974	± Change	1975	± Change	1976	± Change	1977	± Change	1978	± Change
IATA Scheduled	9,395	– 6.6%	8,863	– 5.7%	9,836	11.0%	10,342	5.1%	12,590	21.7%
IATA Charter	1,170	– 30.3%	1,305	11.5%	1,660	27.2%	1,602	– 3.6%	1,174	–26.7%
NON-IATA Scheduled*	302	1.3%	296	– 2.0%	320	8.1%	357	11.6%	608	70.3%
NON-IATA Charter*	1,992	– 1.0%	1,954	– 2.4%	2,018	3.8%	2,818	39.6%	2,483	–11.9%
TOTAL	**12,859**	**– 8.5%**	**12,418**	**– 3.5%**	**13,834**	**11.5%**	**15,119**	**9.3%**	**16,855**	**11.5%**
Market share										
IATA Scheduled	73.1%	1.5	71.4%	– 1.7	71.1%	– 0.3	68.4%	– 2.7	74.7%	6.3
IATA Charter	9.1%	– 2.8	10.5%	1.4	12.0%	1.5	10.6%	– 1.4	7.0%	– 3.6
NON-IATA Scheduled*	2.3%	0.2	2.4%	0.1	2.3%	– 0.1	2.4%	0.1	3.6%	1.2
non-IATA Charter*	15.5%	1.1	15.7%	0.2	14.6%	– 1.1	18.6%	4.0	14.7%	– 3.9
TOTAL	100.0%		100.0%		100.0%		100.0%		100.0%	

**Estimates*

Source: IATA

3-26

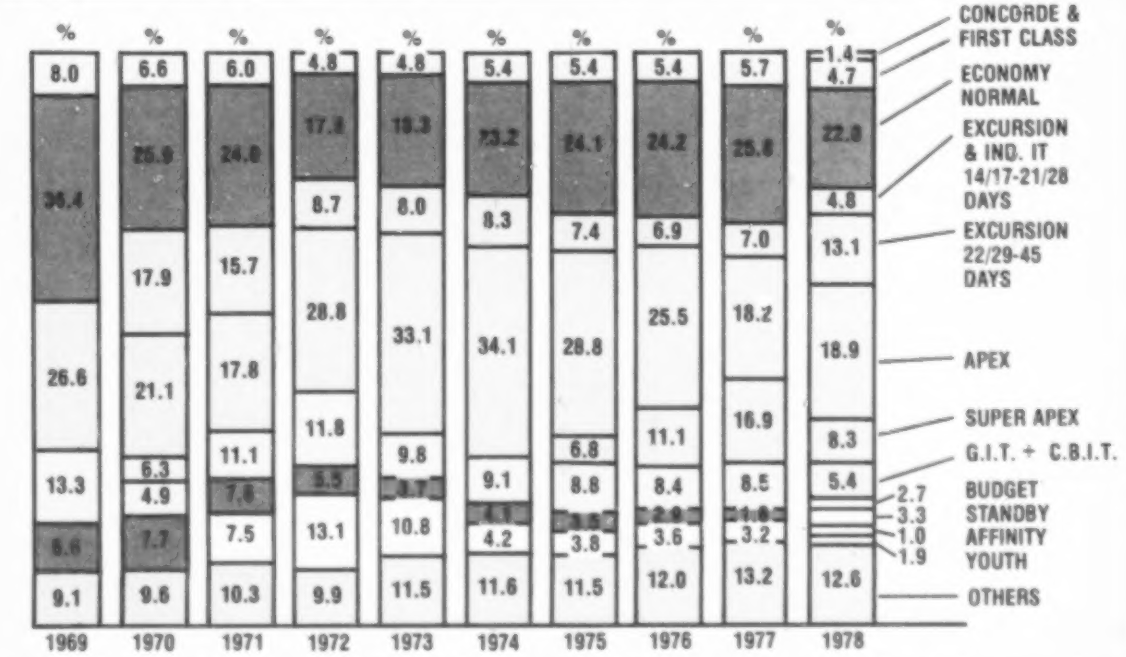
IATA AIRLINES REVENUE RESULTS



Source: IATA

3-27

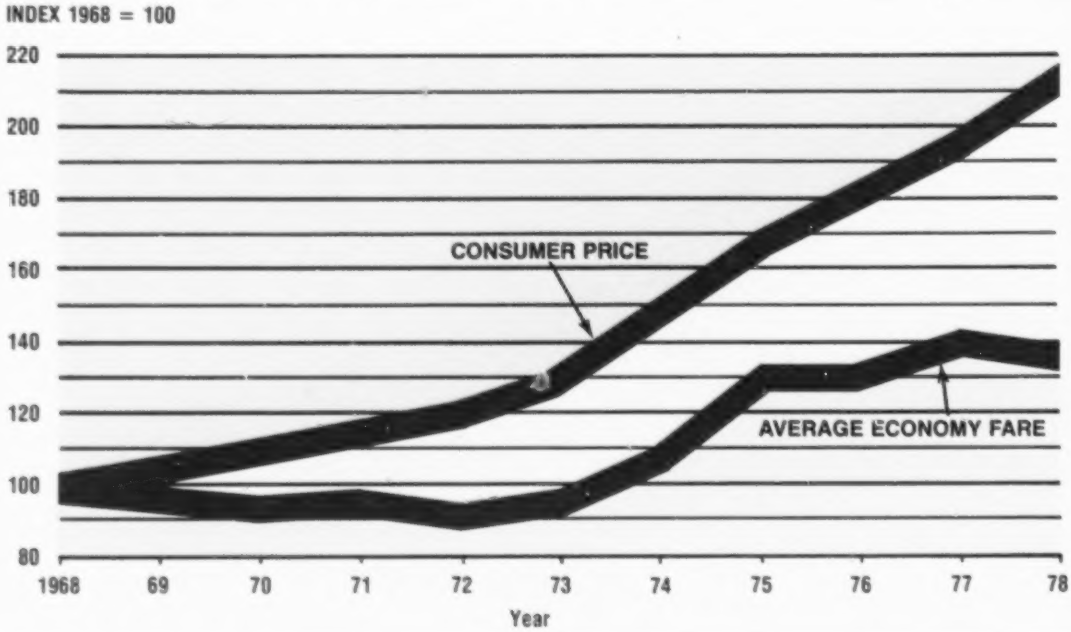
IATA NORTH ATLANTIC SCHEDULED SERVICES PASSENGER DISTRIBUTION BY FARE TYPE



Source: IATA

3-28

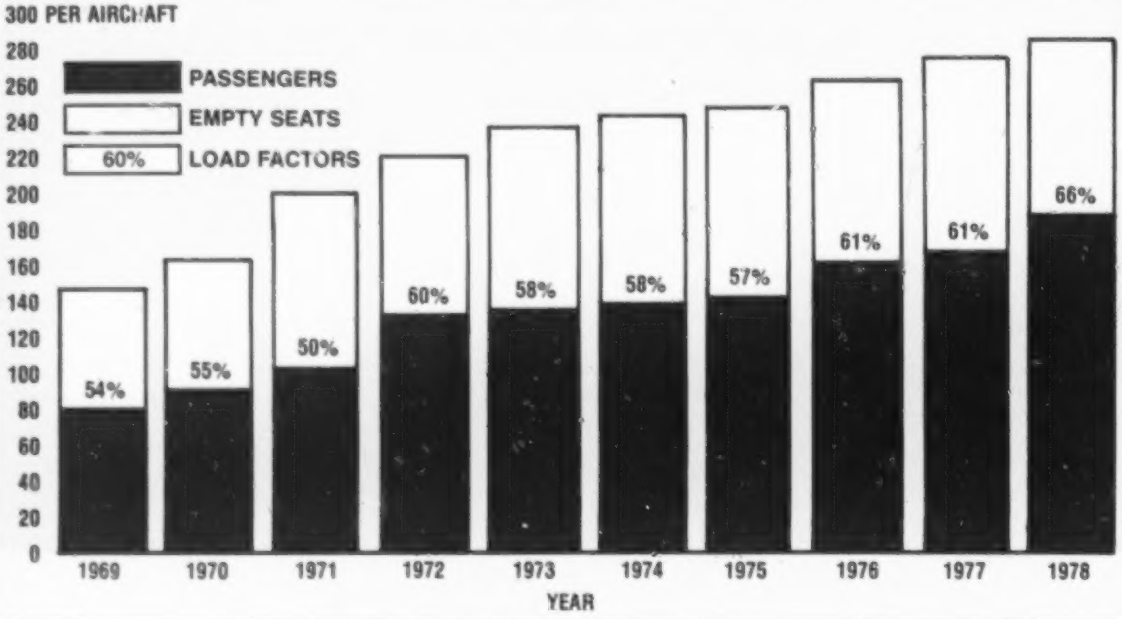
NORTH ATLANTIC FARES COMPARED TO CONSUMER PRICE INDEX*



*OECD weighted composite price index for the U.S., Canada, and Western Europe.
Source: OECD; IATA

3-29

NORTH ATLANTIC AVERAGE SEATS AND PASSENGERS PER AIRCRAFT
1969-1978



Source: IATA

3-30

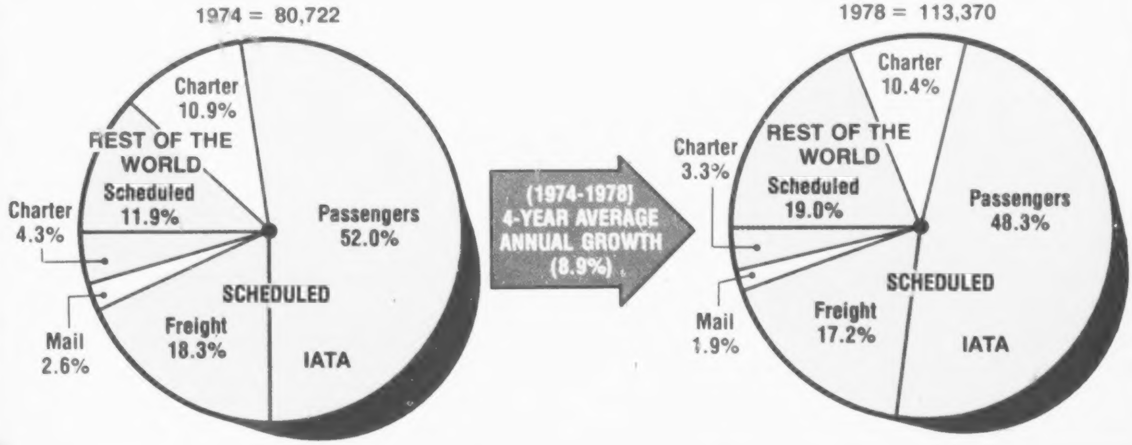
DEPARTURES OF U.S. CITIZENS AND ARRIVALS OF ALIENS FY 1978/79
(By First Destination or Point of Origin)

	FY 1978		FY 1979	
	Departures	**Arrivals**	**Departures**	**Arrivals**
All Countries	8,769,191	7,018,450	9,655,247	8,920,700
Middle America	1,475,974	971,813	1,849,516	1,291,516
Caribbean	2,000,541	948,750	2,215,374	1,133,390
South America	422,897	699,648	458,410	893,803
Europe	3,890,046	2,692,550	4,032,290	3,496,212
Africa	70,191	47,048	84,684	63,712
Middle East	171,191	90,164	195,887	135,854
Far East	545,182	1,280,241	582,464	1,559,647
Oceania	202,478	293,236	236,622	346,565
Mexico	1,232,912	666,697	1,577,208	928,098
U.K.	1,341,401	950,558	1,436,857	1,355,035
Bahamas	624,727	212,395	691,339	260,881
Germany	527,922	212,393	530,022	471,099
Bermuda	368,865	58,383	400,388	63,887
Italy	350,832	219,291	365,489	215,850
Japan	328,100	962,623	324,250	1,150,588
France	331,138	280,843	318,909	333,423
Jamaica	230,325	161,747	275,087	199,470
Neth. Antilles	199,313	144,354	226,897	69,224
Dom. Republic	215,783	219,291	224,909	244,115
Spain	209,161	93,656	208,889	117,333
Netherlands	190,313	144,354	201,283	213,846
Ireland	153,943	58,018	170,112	66,488
Greece	148,428	57,838	168,042	67,194
Brazil	103,603	106,508	114,694	136,412
Venezuela	93,634	223,520	101,984	301,424
Denmark	101,610	128,724	99,536	140,940
Colombia	83,893	141,379	95,404	173,454

Source: U.S. Department of Transportation based on data from the U.S. Department of Justice, Immigration and Naturalization Service

3-31

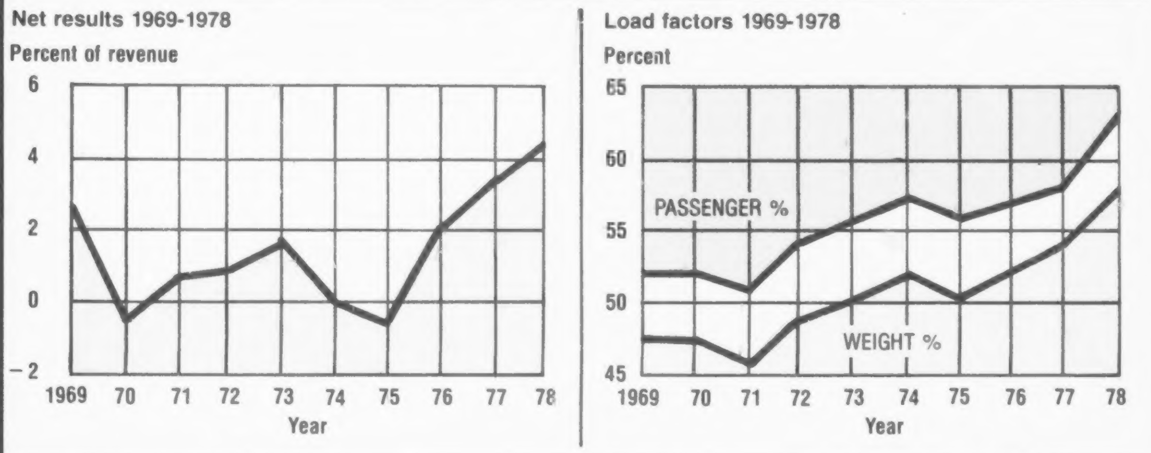
WORLD AIR TRAFFIC SHARE BY TYPE OF SERVICE
(In Million Revenue Tonne-Kilometres)



Source: ICAO; IATA

3-32

WORLD SCHEDULED AIRLINES: NET REVENUES AND LOAD FACTORS

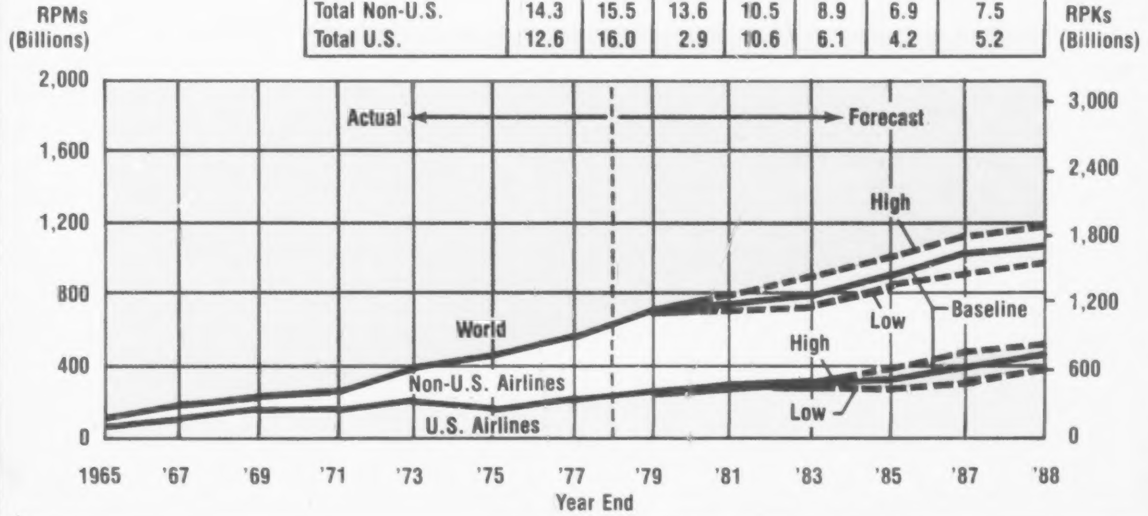


Source: ICAO; IATA

3-33

WORLD REVENUE PASSENGER-MILES FORECAST*

Growth Rate (Percent)	1960-1965	1965-1970	1970-1975	1975-1978	1978-1988		
					High	Low	Baseline
World	13.4	15.8	8.2	10.5	7.8	5.8	6.6
Total Non-U.S.	14.3	15.5	13.6	10.5	8.9	6.9	7.5
Total U.S.	12.6	16.0	2.9	10.6	6.1	4.2	5.2



*RPMs for all services. Excludes USSR, People's Republic of China, and non-ICAO nations, but includes Taiwan and all-charter carriers.
Source: Boeing Company

CHARTER AIRLINES

The increasing cost of fuel, the escalating prices of ground accommodations overseas, and the availability of bargain fares on scheduled carriers took their toll on the charter airline industry in 1979. Between June 30, 1978 and the same date in 1979, the number of U.S. citizens who flew overseas on charter flights dropped by 24.3%. (3-34) Decreases were most dramatic in charter departures to Europe which experienced a 39.6% decline (from 970,820 to 586,221) over the same period. This followed a similar trend in depressed figures released for the calendar year of 1978, when charter traffic to Europe fell off by 31.6%. (3-37)

Ironically, the substantial fall in the European market share held by charter carriers came at a time when the CAB had loosened many restrictions on their operations. Affinity charters — whose regulations were extremely subject to violation by both charter operators and the general public — had been eliminated. Public charters — those which could be booked by anyone and which offered land accommodations as strictly optional — became available. Still, the competition from Laker's Skytrain and the budget, standby, and apex fares offered by the scheduled carriers proved to be powerful.

Scheduled Operations of Supplementals

In addition, the operation of charters to Europe suffered as a result of the U.S. supplementals' own entrance into the scheduled market. Trans International (renamed Transamerica on October 1, 1979) began regular service to Amsterdam in the spring of 1979, with two flights per week from New York and one per week from Los Angeles via Bangor, Maine. The carrier reported load factors of near 90% during the summer months. Presently, it has suspended the Los Angeles route for the winter and added a third flight to the New York schedule.

Capitol Airways, a second U.S. supplemental, inaugurated service to Europe in the spring of 1979, with scheduled flights between Brussels and New York/Boston. The carrier also began transcontinental service (New York-Los Angeles) in September 1979 but was grounded by an October strike. While it resumed all charter operations following the strike's settlement, it did not plan to start up scheduled services again until December 1.

The last of the "big three" U.S. supplementals, World Airways, was also granted international routes to serve on a scheduled basis in 1979. However, the carrier limited operations to a highly publicized transcontinental schedule which encountered repeated difficulties due to competition from the domestic trunks, the grounding of the DC-10s, and a lengthy strike.*

Charter Operations of U.S. Carriers

Despite cutbacks in charter travel between the United States and Europe, the volume of passengers carried on supplemental flights to destinations in the Caribbean, Mexico, and the Far East increased. Charter traffic for the first half of 1979, compared with the same period in 1978, grew by 10.5% in the Caribbean market, 9.3% in the Central America/Mexico market, and 11.8% in the Far East market. (3-36) Of particular note was a jump of 91% in U.S. citizen charter departures to Hong Kong for fiscal year 1979 over 1978. (3-34)

Supplemental service to Las Vegas and Honolulu continued to hold its own, much of the traffic utilizing charter flights on U.S. trunk carriers. However, rising operating costs — sparked by the high price of fuel — are expected to have an adverse effect on the charter services of scheduled airlines as well. United — which has primarily served Hawaii and Las Vegas — cut back its charter fleet to 10 DC-8s of 238 seats each, claiming that the aging jets required excessive operating budgets. At the same time, American said its fleet of five 707s devoted to charter service to Las Vegas, the Caribbean, and Mexico were doing well, for the most part.

Pan Am, which has been a major charter operator, continued to reduce the size of its aging 707 fleet in 1979. The carrier expects to have only seven of the aircraft available for charters in 1980 and to terminate all 707 charter flights by November of that year. Nevertheless, if the CAB permits fuel increases to be passed on as they are imposed, Pan Am may reenter the charter market using some of the more modern DC-10s and 727-200s it has acquired from the National Airlines merger.

Worldwide Charter Operations

Changes in the operations of foreign-flag supplementals also characterized the 1979 charter market. At least two European carriers, Aviaco of Spain and SATA of Switzerland, suspended transatlantic service because the cost of fuel made their DC-8s uneconomical to operate. The acquisition of more modern equipment, however, could change that situation.

Charter flights between the United Kingdom and Australia were dealt a heavy blow when governments of the two countries agreed to encourage scheduled traffic by permitting very low apex fares on the London-Sydney route.

Additional information on World's transcontinental operation appears in the Domestic Airlines section.

British Airways, Qantas, and others are expected to reap the rewards of the agreement at the expense of supplemental carriers.

On the other hand, the weakened U.S. dollar and Mexican peso acted as lures for European charter operators seeking bargain destinations for their clients. Laker Airways announced the signing of a multi-million dollar contract for charter operations into Florida. Condor, the German supplemental, flew 747s into Acapulco.

Deregulation of Charters

While the charter market is clearly in a period of transition punctuated by many downward trends, its potential for the future remains positive. Recent decisions made by the CAB, in its continuing effort to deregulate the airline industry as a whole, point to a possible resurgence in charter traffic.

First of all, the Board has made it clear that it will now permit tour operators or other interested parties to create their own charter companies. A number of firms — some of which are new to the travel business and others who have reputations as major tour operators — have already filed for permission to initiate such operations, most of them planning either to purchase or lease a single plane.

In addition, the CAB has authorized both supplemental and scheduled carriers themselves to operate charters, eliminating the middleman. Without the need for a charter operator and with more solid financial backing, airlines will be free to establish new markets that can be sold directly to travelers eager to sample unexploited destinations.

3-34

FIRST DESTINATION OF U.S. CITIZENS ON CHARTER FLIGHTS FY 1978 VS. FY 1979

	1978	1979
All Countries*	1,434,711	1,085,922 (−24.3%)
United Kingdom	269,276	116,516
Germany	197,837	150,071
Bahamas	148,483	152,601
Mexico	93,363	103,039
France	85,251	52,723
Italy	77,850	42,426
Ireland	71,870	49,161
Spain	60,176	39,962
Switzerland	58,384	35,068
Neth. Antilles	44,107	42,532
Netherlands	40,642	14,374
Greece	31,489	32,044
Jamaica	27,278	46,305
Portugal	17,672	12,713
Guadeloupe	15,596	10,791
Martinique	14,770	16,296
Brazil	13,060	15,723
Hong Kong	8,062	15,427

*Excludes Canada.
Source: U.S. Department of Transportation, Transportation Systems Center based on data from U.S. Department of Justice, Immigration and Naturalization Service

3-35

INTERNATIONAL CHARTER DEPARTURES FROM U.S.*

	FY 1978	FY 1979
Total	**1,940,415**	**1,611,849 (− 16.9%)**
Anchorage	25,497	31,285
Atlanta	26,684	24,531
Bangor	137,612	109,196
Boston	85,412	67,848
Chicago	145,237	96,091
Cincinnati	8,000	5,640
Cleveland	22,779	14,118
Dallas	10,459	10,197
Denver	15,809	18,362
Detroit	90,104	68,966
Ft. Lauderdale	52,273	69,676
Hartford	22,053	815
Houston	11,671	11,489
Los Angeles	86,540	70,654
Miami	42,325	77,456
Minneapolis	58,542	75,106
New York	814,729	574,146
Newark	3,251	17,156
Oakland	17,347	13,142
Philadelphia	68,153	66,110
San Francisco	6,307	3,417
San Juan	12,984	6,996
Seattle	17,721	22,514
St. Louis	17,735	16,036
Washington	28,484	24,387

*U.S. citizens and aliens.
Source: U.S. Department of Transportation based on data from the U.S. Department of Justice, Immigration and Naturalization Service

3-36

PASSENGER TRAVEL BETWEEN U.S. AND WORLD REGIONS*
(First Half 1979 vs. 1978)

	Share of 1979 Volume	Traffic Growth			U.S. Flag Share	
		Scheduled	Charter	Total	1979	1978
Europe	36.9%	19.1%	(31.5)%	10.5%	44%	44%
Caribbean	20.1	13.8	10.5	13.1	69	69
Central America & Mexico	18.5	26.3	9.3	25.1	56	55
Far East	11.8	16.4	11.8	16.4	45	42
South America	7.3	22.9	(8.2)	21.3	46	46
Oceania	3.1	19.0	(14.3)	17.9	51	49
Middle East	1.6	30.3	n.a.	28.8	28	22
Africa	0.7	26.4	(18.2)	21.2	49	58
Total	**100.0%**	**19.7%**	**(13.2)%**	**15.5%**	**51%**	**51%**

**Arrivals and departures.*

Source: Lehman Brothers Kuhn Loeb Research, Inc., Monthly Airline Newsletter, *August 1979, based on data from the U.S. Department of Transportation*

3-37

U.S. CITIZEN DEPARTURES ON CHARTER FLIGHTS 1972-1978

	Europe	All countries*
1978	730,643	1,217,092
1977	1,067,873	1,488,864
1976	819,791	1,244,380
1975	565,345	847,592
1974	555,966	851,318
1973	703,071	986,304
1972	631,337	874,268

**Excludes Canada.*

Source: U.S. Department of Transportation, Transportation Systems Center based on data from U.S. Department of Justice, Immigration and Naturalization Service

3-38

TRENDS FOR CHARTER TRAFFIC
(July 1979)

Charter Carriers	% Change in Volume of Traffic
Domestic Trunks	−13.1
Domestic Locals	−60.0
International	−20.0
Total Industry	−21.4

Source: Lehman Brothers Kuhn Loeb Research, Inc., Monthly Airline Newsletter, *August 1979*

RAILROADS

Total railroad passenger revenue, including Amtrak and Class I railroads, amounted to $608 million in 1978, down a fraction from the previous year but still above the levels of the past 15 years. (3-40) Over 281 million commuter and intercity passengers were carried on the nation's railroads in 1978, the highest number since 1970 but only 2% above the 1977 figure. (3-41)

Amtrak Operations

Amtrak, the federally subsidized National Railroad Passenger Corporation, was created in May 1971 to handle intercity passenger train service. In 1978, its network accounted for 41% of all rail passenger revenues — $252 million — approximately 3% higher than 1977. (3-39) Benefiting from the new demand for rail service generated by the gasoline shortage, Amtrak passenger revenues rose sharply in the first six months of 1979, running about 18% higher than for the similar period in 1978. For fiscal 1979 (twelve months ended September 30), total Amtrak revenues from all sources reached a record $381.3 million, a 22% gain over fiscal 1978. (3-42)

While Amtrak ridership in calendar 1978 was barely 1% over 1977, there was an unprecedented 11.9% expansion in the first six months of 1979. Fiscal 1979 figures indicate a record 21.5 million passengers for the period ending September 30, 1979 — up 14% from the previous year. (3-42)

Similar improvement was also noted in Amtrak's revenue passenger-miles* which showed a 20% increase over the similar period in 1978 — 2.3 billion miles compared with 1.9 billion. About one-half of Amtrak passenger-miles are on railroads in the Eastern District, 30% in the Western District, and 20% in the Southern District.

Compared with 1977, intercity revenue passenger-miles declined in 1978 by 2.7%. (3-44) Of the total of 5.6 billion intercity passenger miles, Amtrak trains handled three-fourths of the mileage, recording 3.6 billion passenger miles in coaches, 448 million in parlor and sleeping cars, and 114 million as commutation and multiple rides.

Impact of the Oil Crisis

When gasoline supplies became tight in the spring of 1979, the scramble for more energy-efficient forms of transportation sent many to ride the trains. In June, Amtrak carried a record 2 million passengers, 24% above June 1978. Ridership again topped the 2 million mark in July, August, and September; during these months, many space requests were denied as well. In the six months ending June 1979, 10.5 million passengers rode on Amtrak trains, 12% more than in the similar period in 1978.

An Ailing System

The months of heavy ridership highlighted the inadequacies of the intercity passenger train network. Its standards of speed, equipment, and service were scarcely conducive to lure the auto-oriented consumer to the railroads. What also became painfully apparent was Amtrak's meager equipment inventory and its need for fleet expansion. In 1978, for example, it showed a total of 1,900 passenger-train cars, of which over 500 were unserviceable and under repair.

Operating in 1979 with even fewer cars than a year ago, Amtrak was unable to cope with the sudden increase in traffic. The shortage of cars was particularly acute in the Northeast Corridor, covering Boston, New York, and Washington, where it is estimated that 20% of the nation's population lives.

Measured against other nationwide rail systems, the American network, even with its greater route length, has fewer passenger cars than other major countries. Amtrak had almost 2,000 cars serving 27,500 miles of route length in fiscal 1979 — or two cars for 27.5 miles. The Japanese, on the other hand, have two cars for every mile in their system, and the Germans, one car for every mile. (3-43)

Amtrak Funding

Ironically, just as its potential was under test, Amtrak faced a cutback in its government subsidy, the result of a recommendation by the Department of Transportation for a 43% cutback in its route length. But when Congress began work on the Amtrak authorization bill, it heeded the public clamor for a revived rather than a reduced rail system. Instead of the projected 12,000 mile route reduction, it trimmed five routes covering 5,000 miles — a 16% cutback. For the first time it granted Amtrak a two-year operating authorization and a three-year authorization for capital improvement which should enable it to plan more efficiently. For fiscal 1980, Congress authorized an operating budget of $630 million and a capital budget of $203 million.

Immediate Plans

Moving quickly once stability was assured, Amtrak posted a fare increase of 7% effective at the end of October, the third increase of the year, which brought the total to over 20%. It unveiled a projected two-year $447 million program of capital expenditures, including $105 million for 200 single-level long-distance cars, $31.6 million for additional locomotives, and additional sums to provide equal access for handicapped passengers, eliminate grade crossings, and improve station facilities. In addition, $30.5 million will be spent to rebuild and modernize older passenger cars. Meanwhile, the first of 284 bilevel supercars, originally scheduled for 1978 delivery, finally went into operation between Seattle and Chicago in the fall of 1979.

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*One paying passenger carried one mile.

Because so much of the rail system has fallen into disrepair, there is little likelihood of a quick turnaround in overall performance. Another painful energy shortage will again find Amtrak unable to meet the demand. The government commitment to an effective rail passenger service is still shaky; it will come and go with recurring fuel crises. However, with new funding and authority in place for Amtrak, the country took a small step forward in 1979 toward a viable rail passenger system.

3-39

STATISTICS OF NATIONAL RAILROAD PASSENGER CORPORATION (AMTRAK)

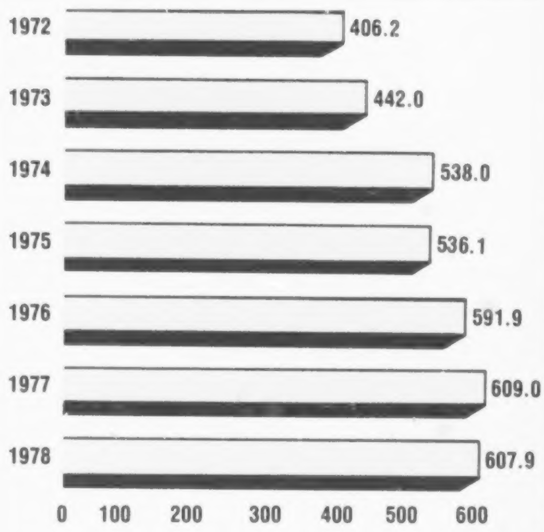
Item	1978	1977
TRAFFIC:		
Passenger revenue*	$252,338,056	$245,050,001
Revenue passengers carried	19,172,944	18,999,839
Revenue passenger-miles (000)	4,153,711	4,204,005
Averages		
Revenue per passenger	$13.16	$12.90
Revenue per passenger mile	6.075¢	5.829¢
Trip per passenger (miles)	216.64	221.27

*Not included with similar data for Class 1 railroads.
Source: Association of American Railroads

3-40

RAILROAD PASSENGER REVENUES* 1972-1978

($ Millions)



*Includes Class I railroads and Amtrak for all years, and Auto-Train until 1977. Base for Class 1 railroads was increased to $50,000,000 annual operating revenues, effective January 1, 1978.
Source: Interstate Commerce Commission; Association of American Railroads

3-41

RAILROAD REVENUE PASSENGERS CARRIED

(000)

	United States	Amtrak	Eastern District	Southern District[2]	Western District
1971	272,401	9,915[1]	189,313	19,277	53,896
1972	261,084	16,644	173,566	17,716	53,158
1973	254,472	16,984	166,537	16,334	54,617
1974	274,298	18,257	182,685	16,237	57,118
1975	269,394	17,350	180,945	15,068	56,031
1976	271,652	18,619	181,394	14,902	56,738
1977	275,324[3]	19,000	183,718[3]	14,490[3]	58,116
1978	281,069	19,173	185,464	15,202	61,230

[1] Operations began on May 1, 1971.
[2] Includes statistics of Auto-Train Corporation beginning with 1972.
[3] Revised figures.
Source: Association of American Railroads

3-42

AMTRAK - FISCAL YEAR STATISTICS

(Years ended September 30, 1978 and 1979)

	1978	1979
Total Operating Revenues* (millions)	$313.0	$381.3
Passengers (millions)	18.9	21.5

*Includes passenger revenues which account for over 90% of the total.
Source: Annual Reports, National Railroad Passenger Corporation (AMTRAK)

3-43

COMPARISON OF NATIONAL RAIL SYSTEMS

Railroad	Miles of Route Length	Passenger Cars
U.S. Amtrak	27,500	1,913
British Rail	11,258	17,463
French National Railways	22,478	15,320
German Federal Railways	17,910	17,726
Italian State Railroad	10,154	10,544
Japanese National Railroad	13,218	26,099
South African Railroad	13,966	9,784

Source: Caskie Stinnett, "The Wary Traveler," The Atlantic Monthly, September 1979. Copyright by The Atlantic Monthly Company; reprinted with permission

3-44

PASSENGER MILES BY CLASSES AND ACCOMMODATIONS

(Passenger-miles in Millions)

	Commutation	Total Intercity	Intercity coaches	Intercity parlor/ sleeping cars
1968	4,383	8,737	7,559	1,178
1969	4,546	7,623	6,601	1,021
1970	4,592	6,179	5,414	765
1971*	4,498	4,403	3,887	516
1972*	4,229	4,332	3,812	520
1973	4,245	5,053	4,470	583
1974	4,533	5,799	5,186	613
1975	4,513	5,429	4,927	502
1976	4,470	5,808	5,238	570
1977	4,588	5,710	5,186	524
1978	4,668	5,555	5,088	467

*Amtrak passenger-miles are included beginning in 1971 and Auto-Train for 1972-1977.
Source: Association of American Railroads

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Tours and Travel Linage in Florida's Major Newspapers — 1978

	Tour & Travel Linage	Two-Paper Total
St. Petersburg Times	409,262	677,522
Evening Independent	268,260	
Miami Herald	286,329	342,038
Miami News	55,709	
Tampa Tribune	103,023	136,186
Tampa Times	33,163	
Orlando Sentinel Star	91,156	91,156

Source: 1978 Media Records report. Linage converted to standard 8 column format for comparative purposes.

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BUSES

Concern over public transportation needs in 1979 generated new interest in bus travel. The intercity bus industry links 15,000 communities and for almost all of these, particularly in rural areas, it is the sole form of public transportation available. Buses carry more passengers than the airlines and Amtrak combined. Through the years, bus travel has been primarily personal rather than business and has served a lower-income market than rails or airlines.

In the past decade, the industry has been in a deep slump, suffering declining ridership and declining operating margins. Only in periods of fuel crises, in 1974 and again in 1979, have buses been able to increase their share of intercity travel.

Industry Highlights

In 1978, 20,200 buses carried 335 million passengers, marking a 1% increase over the previous year. (3-45) While regular-route intercity traffic declined in that period, charter and special service volume increased by 10%. In 1978 total revenue passenger miles were off by 1.2%, declining to 25.4 billion in 1978. (3-47)

Revenues for the entire industry rose by 6%, reaching $1.4 billion in 1978 — again a reflection of the increasing volume of tour and charter operations as well as of increasing package express business. Although tours and charters generate only 30% of total industry revenues, compared with 50% from scheduled intercity operations, this has been the healthiest segment of industry operations over the past decade. (3-46)

There was a distinct turnaround in the industry in 1979. Beginning in April, as gasoline shortages became serious, bus travel began to increase. Estimates of ridership in 1979 are in the 350 million passenger range, approximately 5% over 1978.

Intercity Traffic

The bulk of intercity traffic is handled by Class 1 carriers (gross revenues of $3 million or more). Of the 46 companies in this category, two dominate the industry, Greyhound Lines, Inc. and Trailways, Inc., operating about 6,300 buses and accounting for over 80% of the intercity market.

Passenger revenues from intercity regular route service (Class 1 carriers) rose to $671.1 million in 1978 approximately 3% over 1977, chiefly a reflection of increased fares. Other indicators show intercity travel as still depressed in 1978. The number of passengers declined by 3.1% from 98.9 million to 95.8 million, and passenger miles were down 5.9% from 1977.

Charter and special service operations, however, improved the outlook. They generated revenues of $156.4 million, 8.8% over 1977, continuing a decade-long upward trend. (3-48)

Energy Crisis

Prospects for the bus industry improved as the country's energy situation worsened. Following a bleak first quarter in scheduled service, there was a sharp upswing in the second quarter, with passenger miles on scheduled routes averaging 12% higher than in 1978; in the third quarter, they were 10% higher. Overall in 1979, passenger miles in regular-route intercity service were expected to increase by 6%, rising from 11.9 billion passenger miles in 1978 to 12.6 billion in 1979. Passenger revenues from regular-route intercity service rose by an estimated 12% in 1979, bringing the total to over $750 million.

Greyhound vs. Trailways

A sharp competitive battle shaped up in 1979 between the two major companies. Greyhound, long the industry leader and in control of 62% of the intercity market, was challenged by Trailway's new owner, a Dallas-based company that recently purchased the line from Holiday Inns, Inc.

To expand its approximate 22% share of the market, Trailways hopes to lure the higher-income automobile traveler to bus travel. Working closely with travel agents, coordinating schedules with additional independent bus operators, and increasing its links with smaller feeder lines, it plans to offer quality service and comfort in bus travel.

Complicating Trailway's expansion thrust, however, is Greyhound's control of terminal facilities in many cities and its large number of exclusive routes in heavily traveled areas. To redress the competitive balance, Trailways has also requested the Interstate Commerce Commission to deny Greyhound additional routes and price-cutting advantages.

Growth Potential

Two significant areas of expansion noted by industry spokesmen are the short-haul passenger market and the luxury-type motor coach tours. Some new riders are already committed to intercity bus travel and others will join them as gasoline becomes increasingly expensive and scarce. Many operators are also concentrating on the more affluent family groups that previously relied solely on the family car for vacation and personal travel. Motorcoach touring, already on the rise before the energy crisis, showed a marked increase in 1979. Bookings continued heavy through the fall, in areas of tourist attractions particularly.

Bus operators hope that rising air fares will give them a chance to recapture some of the passengers they lost as a result of discount air fares in 1978.

Some additional traffic may also be diverted to buses as a result of the reduction in Amtrak's route structure in 1979.

Traditionally, however, rail travel has provided the keenest competition for buses — unfair competition, they believe, because of Amtrak's heavy government subsidization. Congressional repeal in 1978 of the excise taxes paid by intercity bus companies on the purchase of new buses and on fuel, oil, and parts was a major legislative breakthrough. Upgrading of bus fleets and terminals, however, will require considerable capital investment. Industry spokesmen urged enactment of a 10% investment tax credit for the purchase of new buses, but this hinges on passage of the proposed windfall oil profits tax.

After years of neglect, bus transportation has come to occupy a key position in public transportation strategies. According to industry estimates, diversion of just 1% of automobile travel to intercity buses would result in annual net savings of at least 189 million gallons of gasoline. The potential of the industry, many feel, has barely been tapped.

3-45

INTERCITY BUS INDUSTRY IN THE UNITED STATES[1]

	1970	1975	1976	1977[2]	1978
Number of Operating Companies	1,000	950	1,000	1,050	1,100
Number of Buses	22,000	20,500	20,100	20,200	20,200
Miles of Highway Served[3]	267,000	274,000	276,000	276,000	278,000
Number of Employees[4]	49,500	46,700	46,000	44,000	43,600
Total Bus-Miles (millions)	1,209	1,126	1,118	1,102	1,082
Revenue Passengers (millions)	401	351	340	332	335
Revenue Passenger Miles (millions)	25,300	25,400	25,100	25,700	25,400
Operating Revenues, all services ($millions)	901.4	1,171.6	1,231.9	1,303.1	1,388.7
Operating Expenses ($millions)	812.2	1,103.2	1,179.9	1,247.6	1,333.6

[1] *Includes operations of Class I, II, and III carriers reporting to the Interstate Commerce Commission, and intrastate carriers.*

[2] *Revised figures.*

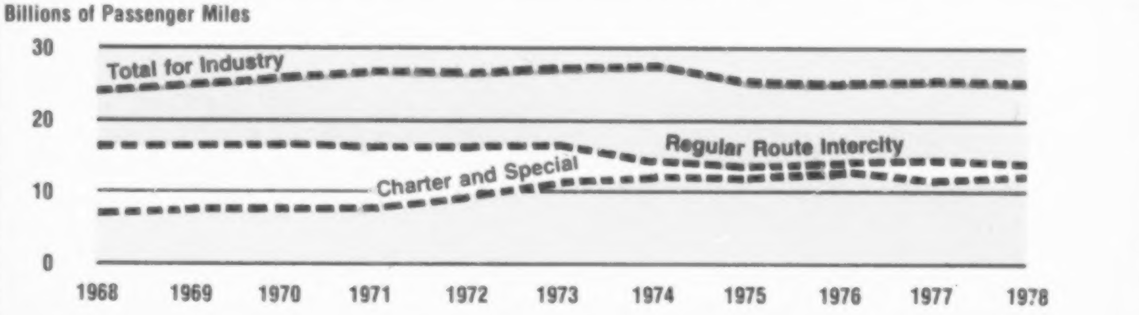
[3] *Includes duplication between carriers.*

[4] *Operating companies only.*

Source: American Bus Association, based on data from Interstate Commerce Commission and ABA estimates

3-46

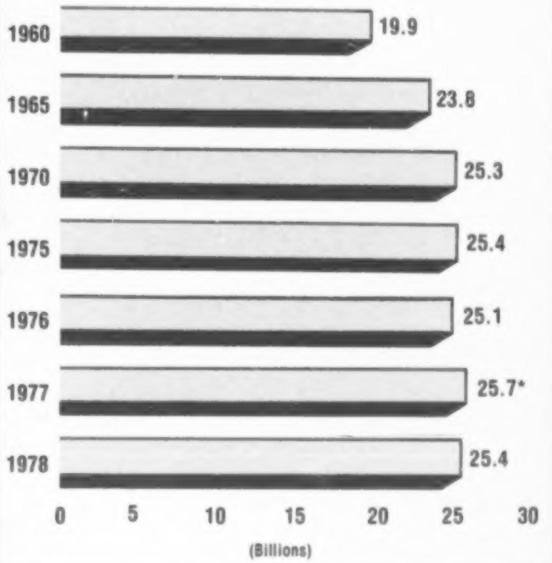
PASSENGER MILES OF INTERCITY BUS TRAVEL



Source: American Bus Association

3-47

PASSENGER MILES, TOTAL INTERCITY BUSES (1960-1978)



*Revised
Source: American Bus Association

3-48

OPERATING REVENUES — CLASS I CARRIERS

(Millions of Dollars)

	1976[1]	1977[2]	1978[2]
Total	932.4	982.7	1,035.7
Passenger revenue			
Intercity regular route	619.0	649.9	671.1
Local regular route	11.2	11.1	11.8
Charter and Special service	135.1	143.8	156.4
Package express revenue	146.3	154.1	172.2
Mail revenue	0.4	0.2	0.1
Station revenue	9.3	11.1	12.1
Other revenue	11.1	12.5	12.0

[1] Adjusted figures representing carriers classified as Class 1 under test effective January 1, 1977; figures from ABA tabulations.
[2] Preliminary.
Source: American Bus Association

CRUISE SHIPS

In 1978, and again in 1979, the cruise industry prospered. Total dollar volume rose to approximately $1.5 billion in 1978, almost double the amount a decade ago. Revenues were expected to reach an all-time high in 1979, partly because of rising cruise demand but also because of general rate increases in the industry.

During 1979, passenger fares increased by an average of 8 to 12%. Additional rate hikes in 1980 may go as high as 20%, as a result of escalating fuel prices as well as other inflation-swollen costs such as spiraling union demands on many foreign-flag carriers. Despite looming pressures on profitability, the industry presented a basically healthy picture, and there was a strong sense that it would continue to grow and to increase its share of the travel market.

The North American market was served by about 85 ships, representing some 25 lines and comprising well over half the world's fleet. Consumer competition for cruise space was brisk and the industry averaged a 95% occupancy rate. Although the number of berths fluctuated as ships were periodically taken out for refurbishing and technical adjustments, over 47,000 beds were reported available in the winter of 1979. This will not change substantially until the *Norway* (formerly the *France*) goes into service in June 1980, at which time an additional 2,000 beds will be added to the stock. Also the *Nordic Prince* stretch conversion will expand its capacity by 40%.

Passenger Trends

Over one million people departed on cruise vacations in 1978. Half of them chose 7-day sailings and the other half split equally between the shorter 3-4 night cruises and those longer than a week. Among these cruise passengers, about 30% were repeaters. A high degree of customer satisfaction was evident as 85% of those who had cruised expressed a desire to do so again within two years.

Estimates vary widely but, according to one carefully researched study, only 7% of the total population has ever taken a cruise.(3-49) A survey of past five-year cruise travelers indicates that they are evenly divided between men and women. Generally, they represent an older, affluent, and well-educated group of travelers. They tend to come primarily from the Middle Atlantic, Pacific, and South Atlantic regions, with the West Coast market growing most rapidly. (3-50) A recent survey by Cruise Lines International Association shows California and Florida producing the most cruise passengers, each having an equal share. However, Florida dominated the short cruise market of 3-4 days while California had the edge in longer cruises of at least a week.

Departure Points

More people departed from Miami over the year than from any other port. A long-planned dredging project is expected to double port facilities. There was also heavy traffic out of Port Everglades and San Juan, particularly in the winter. Other important ports were Los Angeles and San Francisco, in addition to New York on a seasonal basis. Continued growth was noted in the gulf ports, particularly in New Orleans, as well as in Tampa and Galveston. Several of the major lines also scheduled some out port sailings a few times a year, from Norfolk principally, and from Baltimore and Boston as well.

Destinations

The chief cruise destination remained the Caribbean, an area whose appeal cuts across a broad spectrum of consumer types. However, other traditional destinations also retained their hold. Among these, Bermuda made a strong showing, reporting cruise arrivals for three-quarters of 1979 running 11% ahead of 1978. Renewed interest was noted in European cruising, and several lines marketed shorter European trips.

For those with a taste for different experiences, there were attractive opportunities in Mexican, transcanal, and Alaskan voyages. The latter market, particularly, surged in popularity and operators produced a variety of packages aimed at stretching the brief Alaskan season.

In other market promotions, theme voyages supplemented the destination lure. Included were a variety of educationally oriented trips, "dancefests," gourmet tours, singles programs, and couple-compatibility seminars. Some lines developed special programs to attract younger segments of the market including honeymooners and families with children. Others promoted the idea of the ship itself as destination.

Fly/Cruise Programs

The choices for cruise vacationers were wider than ever before. With the proliferation of large numbers of attractive fly/cruise combinations, it became possible for cruise-hungry travelers to sail on just about any body of water in the world. No longer dependent upon ports close to home, they now fly to distant ports and sail to areas formerly considered both remote and expensive. The successful marketing of fly/cruise programs has lured new people into cruising and also widened the range of possibilities for veteran cruise travelers. The major operators competed aggressively in offering diversified travel packages, many including free air fare for longer sailings.

New Capacity

The problem of balancing consumer demand and available capacity came to a head last year. Despite heightened consumer interest in cruising, industry growth in 1979 was restricted by limited capacity. Although some additional tonnage came into service, overall figures remained much the same.

Most of the major lines made critical decisions in 1978-79 on the direction of new growth. They put into operation a variety of plans to increase capacity, including construction of several major new ships, conversion of existing passenger or cargo vessels, and purchase of older existing ships.

Among the companies signing for new construction were Royal Caribbean, Home, Carnival, Hapag-Lloyd, and Royal Cruise. The new ships will carry from 1,000 to 1,500 passengers and are expected to range in cost up to $100 million. Sitmar also has announced the rebuilding of the *Fairsky*. Approximately 10,000 new cruise beds may become available by 1982.

Another innovative approach to the space problem involves "midsectioning," in which a vessel is cut in half, additional facilities inserted, and the whole put back together again. The Royal Caribbean Lines first used this method with the *Song of Norway* and will repeat it in the spring of 1980 with the *Nordic Prince*. As a result of this stretching, space on each vessel will be increased by 40%, at a cost approximately one-third less than construction of a new ship. Norwegian American has also announced plans to stretch the *Sagafjord*.

When the Norwegian Caribbean Lines purchased the *France* last summer for conversion to a cruise vessel, passenger reservations poured in. Once the longest oceangoing vessel, the *Norway*, as it has been rechristened, is undergoing a complete renovation to become a one-class cruise ship. It will sail weekly out of Miami to the Caribbean, beginning June 1980.

Future Agenda

The potential of the U.S. cruise industry remains strong. Equally clear is the need for research efforts to define the growing market, identify new segments, and evaluate trends. Under the auspices of the industry association, Cruise Lines International Association, the first self-generated collection of statistics on the current cruise market was recently issued. CLIA also launched an extensive education program, including seminars for both management and sales personnel and a home study program. Additional detailed information on the cruise market is expected to emerge from the project commissioned in 1979 by the Federal Maritime Administration to study the question of reviving a U.S.-flag passenger fleet.

Development of sophisticated business procedures to cope with the newly expanded market has also claimed attention. Several firms have already overhauled their reservations systems, increased WATS lines, and installed computer links with airlines.

Closer relations with travel agents are anticipated as well as the joint development of new marketing strategies. With many lines offering cruises in the same general area, agent recommendations may be crucial to the client's final determination. (3-51)

Safety and sanitary conditions remain a strong concern, particularly in conversions and purchases of older vessels. Increasingly stringent regulations are predicted for the 1980s.

Dominating all these concerns, however, is the uncertain economic climate. Having committed itself to increased tonnage, the cruise lines now must absorb this increase successfully and profitably. The industry appears confident that it will be able to maintain its profit margins and increase its market share in the year ahead.

3-49

INCIDENCE OF CRUISE TRAVEL

	Total Population %	Total Past-Year Travelers %
Total	100	100
Have ever taken a cruise trip	7 (100%)	12 (100%)
Within the past year	8	11
A year ago	10	6
2-3 years ago	15	19
4-5 years ago	34	16
More than 5 years ago	32	48
Can't recall	1	—
Have never taken a cruise trip	93	88

Source: Travel Pulse Research Service 1977-78

3-50

DEMOGRAPHIC PROFILE OF CRUISE TRAVELERS

	Total Cruise Travelers %
Total	100
Sex	
Male	50
Female	50
Age	
18-24 years	10
25-39 years	25
40-54 years	31
55-64 years	18
65 or more years	16
Marital Status	
Married	71
Single	19
Divorced/separated/widowed	10
Education of Respondent	
Did not graduate from high school	9
Graduated from high school/ technical school	32
Attended college	26
Graduated from college	20
Attended graduate/professional school	13
Total Annual Household Income	
Less than $15,000	18
$15,000-$19,999	22
$20,000-$24,999	17
$25,000 or more	43
Census Region of Origin	
Middle Atlantic	30
Pacific	25
South Atlantic	24
East North Central	6
New England	3
East South Central	2
West South Central	2
West North Central	2
Mountain	1
Outside coterminous U.S.	5

Source: Based on 1977-78 Cruise Supplement, Travel Pulse Research Service

3-51

CRITERIA FOR CRUISE RECOMMENDATIONS BY TRAVEL AGENTS

		Region				Size Of Place			Gross Dollar Volume of All Bookings				
	Total %	East %	Mid-West %	South %	West %	Central City %	Sub-urban %	Town And Rural %	Under $500,000 %	$500,000-$699,999 %	$700,000-$999,999 %	$1,000,000-$1,999,999 %	$2,000,000 And Over %
General reputation of the cruise line	85	87	82	87	83	84	87	84	80	89	91	85	84
Ship's reputation for good passenger service	82	86	80	81	77	80	86	79	80	90	81	80	82
Ship's reputation for serving good food	71	76	69	70	69	72	72	70	70	76	70	71	74
The particular ports visited	55	52	59	55	57	52	56	64	64	63	60	49	51
Availability of air/sea packages	53	45	42	62	64	47	56	64	58	60	61	51	43
General attitude and philosophy of the cruise line towards travel agents	46	40	49	49	48	47	44	45	45	51	46	45	44
Service provided by the cruise line's reservations personnel	35	25	37	43	38	33	33	41	34	36	36	33	32
Size of staterooms	33	32	31	32	37	37	30	29	31	35	37	31	36
Quality of on-board entertainment	24	22	26	21	26	23	26	24	21	26	25	23	23
The size of the ship	18	19	19	21	15	21	16	16	20	20	17	16	18
The newness of the ship	17	15	20	15	18	17	18	14	17	19	16	16	17

Source: Travel Weekly/Louis Harris and Associates

RENTAL CARS

The car rental industry continued on the upswing in 1979, as it has consistently in the past decade and a half. Revenues were expected to exceed the $2.5 billion mark, running about 15% above the estimated 1978 figure of $2.3 billion. (3-53) While the industry growth rate in 1979 was below the extraordinary 26% increase posted in 1978, the year of airline deregulation and the parallel rise in car renters, it was, nonetheless, a healthy rate, which was expected to produce record revenues both in the leisure and business markets. Leading the industry are Hertz, Avis, National, and Budget. Coming in after them are Dollar, Thrifty, American International, and Econo-Car, as well as many smaller local and regional companies.

Number of Rentals

According to a Hertz survey, the number of rental cars in service increased by 86% in the ten years from 1968 to 1978. (3-54) On a short-term basis, comparing 1977 with 1978, there was a 16% rise in the number of rental cars, bringing the count to 448,000. The 1979 figure was expected to top 490,000, a 10% increase. Demand was higher for smaller and intermediate cars than in the past. Since the utilization rate of cars in service already averages 80%, continued growth in fleet size is anticipated, with more emphasis on smaller-sized vehicles.

About 20 million transactions occur annually in the individual car leasing field. The bulk of the short-term volume is concentrated at airports, and the business traveler is the chief client, accounting for about 80% of the business, the exact proportion varying by company.

Originally dominated by Hertz and Avis, the airport market has been invaded by other firms. Most estimates see Hertz in control of 39% of the airport business and Avis of 28%. National and Budget shares have been increasing, with National claiming to have reached 20% and Budget around 15%. However, these proportions are in flux and all are under severe competitive pressures.

Industry sources noted brisk 2-4 day rental activity in 1979 and increased short-haul traffic. All the major companies reported good volume, both in business travel and the leisure market. A great deal of activity centered in Florida and California with substantial increases in short-term fly/drive rentals. Typical rentals in California averaged four days and 100 miles per day, somewhat higher than other parts of the country because of greater driving distances.

Rate War

When Hertz slashed weekend rental fees by 33% at the beginning of September, it precipitated a bitter rate war among the major companies. Avis, Budget, and National soon matched or exceeded these reductions, and all launched massive advertising campaigns to support them. National set its rates below the leaders and Budget offered rates on a full-week rather than a weekend basis, hoping to attract a larger share of corporate business. Ultimately, the outcome of the rate war may hinge on the strategic support given to each company by the conglomerates that have acquired them over the past decade — Hertz by RCA, Avis by

Norton Simon, National by Household Finance, and Budget by Transamerica.

At stake in the battle is the booming vacation and leisure market which increased in importance during the gas shortage. Many travelers at that time turned to fly/drive/hotel packages which reduced their vacation dependence upon gasoline availability. Another group of potential car renters are those travelers who had never flown before and were introduced into the market by airline deregulation in 1978 and the subsequent blitz of discount air fares. This segment may have little staying power, however, as airline prices rise to match fuel price increases.

As the competition increased, there was increasing attention to travel agent-generated business. Hertz has averaged 30% of its business from travel agents and expects this to increase. Avis has also worked closely with travel agents and recently added a program of full commissions for referral business. Budget expects a dramatic increase in travel agent business, particularly in the leisure field. National reports that revenues generated by travel agents were up by 35% in 1979 over the previous year.

Looking Ahead

Despite gloomy forecasts for the economy as a whole, the rental car industry is generally optimistic. The business renter remains the prime target but new marketing efforts will focus on the leisure traveler. Another dimension is the business/pleasure travel combination which is increasing rapidly. Other potentially important sources of new business are women renters, young business executives, and incoming tourists into the United States.

Although availability and price of fuel are nagging uncertainties, these very problems are likely to promote the volume of car rentals. Consumers may turn increasingly to fly/drive packages, provided, however, that air fares remain affordable. Observers see the local market as probably gaining in strength in the period ahead as a result of increased rentals for personal use. Should new car sales continue to decline because of their spiraling costs, there may be a parallel trend to renting and leasing. Given the fact that only about 10% of the population has ever rented a car, there seems to be comfortable capacity for growth.

3-52

CRITERIA FOR RECOMMENDATION OF CAR RENTAL COMPANIES BY TRAVEL AGENTS*

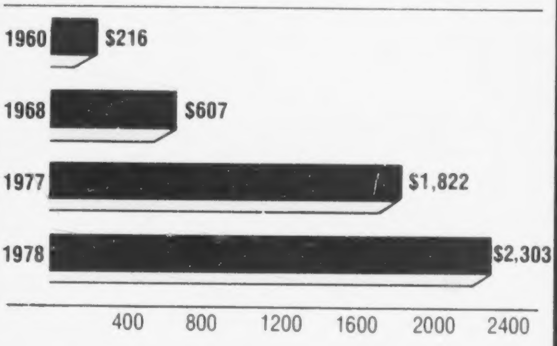
		Gross Dollar Volume of All Bookings				
	Total %	Under $500,000 %	$500,000-$699,999 %	$700,000-$999,999 %	$1,000,000-$1,999,999 %	$2,000,000 And Over %
Rate/Commission mentions (Net)	78	74	81	77	79	78
Special economy rates	57	60	62	57	54	56
Commission policy of rental company	47	47	44	47	51	43
Clarity of the rate structure	43	40	42	49	39	43
Clarity of the commission structure	35	39	26	35	33	36
Overall efficiency of company's reservation system	72	72	75	72	70	75
The fact that there is a rental location within the airport	66	61	69	68	64	69
Availability of 800 number or other direct reservation number	64	65	61	70	63	64
The general attitude and philosophy of the rental company toward travel agents	52	50	52	54	51	54
Types of cars used	24	18	27	22	25	26
Size of rental company	9	6	8	8	11	12

**Percent of travel agents citing these criteria "as very important" in their recommendations.*
Source: Travel Weekly/Louis Harris and Associates

3-53

CAR RENTAL REVENUES 1960-1978

($ millions)

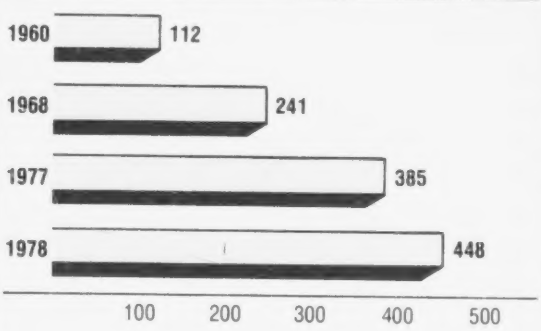


Source: Based on estimated data of The Hertz Corporation

3-54

CAR RENTAL VEHICLES IN USE

(Thousands)



Source: Based on estimated data of The Hertz Corporation

FAMILY CAR

The traditional American reliance on the family car was severely shaken in 1979 but not substantially diminished. The first shortage of gasoline caused by the curtailment of Iranian oil supplies earlier in the year hit the traveling public just as the srping-summer season of tourism and vacation moved into high gear. The flow of Iranian oil to the United States was halted again in November, this time on the initiative of President Carter in response to the seizure of American hostages in Teheran.

Most deeply affected by the fuel cuts was automobile travel. Comparison of intercity passenger miles by various modes of transportation reflect the outstanding predominance of automobile travel. (3-55) In 1978, automobiles accounted for 84% of total intercity passenger miles — or over one trillion passenger miles — followed by airlines with 13.3%. However, in 1979, following the gasoline shortages, the auto share dropped to 81%.

Cutoff of Iranian Oil

In the spring and summer of 1979, following the cutoff of approximately 4% of U.S. oil imports from Iran, numerous regional and spot shortages of gasoline developed. By the end of the summer, however, the shortages appeared to have receded. More fuel was available during the month of September than at any time since early spring.

Throughout this period, consumer interest focused on availability rather than price. But gasoline prices climbed steadily upwards. By October, the national average price exceeded $1 per gallon, reflecting an average increase for the year of 31.9¢ per gallon — still a bargain, however, by European standards.

Reduction in Travel

Except for the first quarter of the year, automobile travel was down below 1978. It declined most sharply in July and August, the Federal Highway Administration reporting a 6.4% decrease in mileage in July compared with 1978. Preliminary estimates for the full year 1979 indicate a decline of 2.4% in auto passenger mileage.

While 80% of vacationing households originally planned to take an auto vacation in 1979 — according to a survey by the 3M National Advertising Company — only 69% actually took their trips. Approximately 5% cancelled outright and about 7% switched to other modes of travel or changed their vacations. Gasoline availability rather than price was the chief reason for change. However, if gasoline prices rise to $1.25 in 1980, the study forecasts a 7% cancellation of planned auto vacations. At $2.00 a gallon, the cancellation rate may be 17%.

When Iranian oil was cut off again in November, stockpiles were much higher and shortages were not expected until midwinter or early spring. This disruption, however, held very serious price implications for the consumer. Administration officials expected at least an additional 15% increase in oil prices, perhaps higher, before the year's end. Also under consideration were gasoline taxes of as much as 50¢ per gallon in order to curb consumption, as well as rationing plans.

Recreation Vehicles

As the gasoline shortages reverberated through the economy, the automobile industry fell into a deep slump and, along with it, the recreation vehicle industry. That market had been characterized by steady growth, building on a solid base of 24 million RV users who were deeply attached to their lifestyle and had been expected to continue purchasing new models. In 1978, the retail value of RV shipments was up by 7% bringing the total to $5.7 billion. (3-56) The number of units shipped declined slightly from the previous year, mainly because of severe weather conditions. (3-57)

In 1979, however, recreation vehicle shipments plummeted. Through July, a total of 217,600 units were shipped to retailers, 35% below last year's shipments. The steepest decline was in motor home shipments, 53% off from last year. Multi-use vehicles held best but still registered a decline of 13.5% for the first seven months of 1979. In September, the industry association forecast a 49% decline for 1979 in family camping vehicle shipments, excluding multi-use vehicles. (3-58) For 1980, however, a 4% increase is projected. In this particularly fuel-sensitive industry, there is deep concern over the escalation of fuel prices, the availability of gasoline, record interest rates, and projected declines in consumer spending on large discretionary purchases.

The Driving Public

According to U.S. Census Bureau data released in 1979, 72% of American households took at least one trip in 1977 of 100 miles or more one-way, for a total of 313 million trips. They used autos and trucks for 76% of these trips, and air transportation for 17%. The largest number — 32% — traveled to visit relatives; the next category was 28% for business and convention trips. Broken down by income, those in the $25,000-50,000 income bracket took the most trips; by age, the most-traveled group was the 25-44 year segment.

Automobiles in Use

Automobile registrations in the U.S. reached a new high mark of 117,147,000 in 1978, 3% above 1977, with California and Texas the leading states. The number of licensed drivers climbed to 141,832,000 in 1978. Since 1940, the percentage of women drivers has increased dramatically from 24.3% of all motorists in 1940 to 46.2% in 1978.

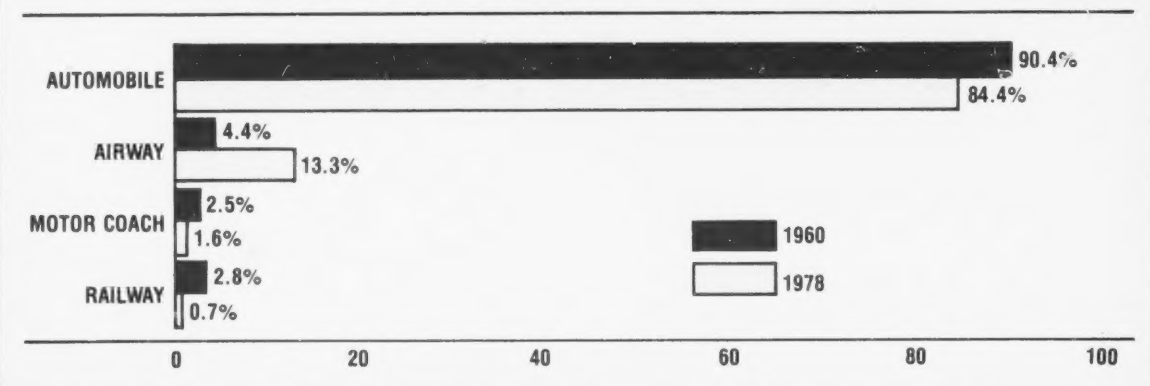
Personal Transportation Expenditures

Consumer spending on user-operated transportation absorbed the giant share of total personal consumption expenditures for transportation in 1978, totaling $181.1 billion, an 11% rise over 1977. By contrast, the amount of purchased transportation was only $10.2 billion.

Given the increasingly grim energy situation, this proportion can hardly remain unaltered. The shape of the family car market will change as the country adjusts to energy shortages, recurring international crises, and escalating fuel prices.

3-55

PERCENT OF INTERCITY PASSENGER MILES BY MODE OF TRAVEL

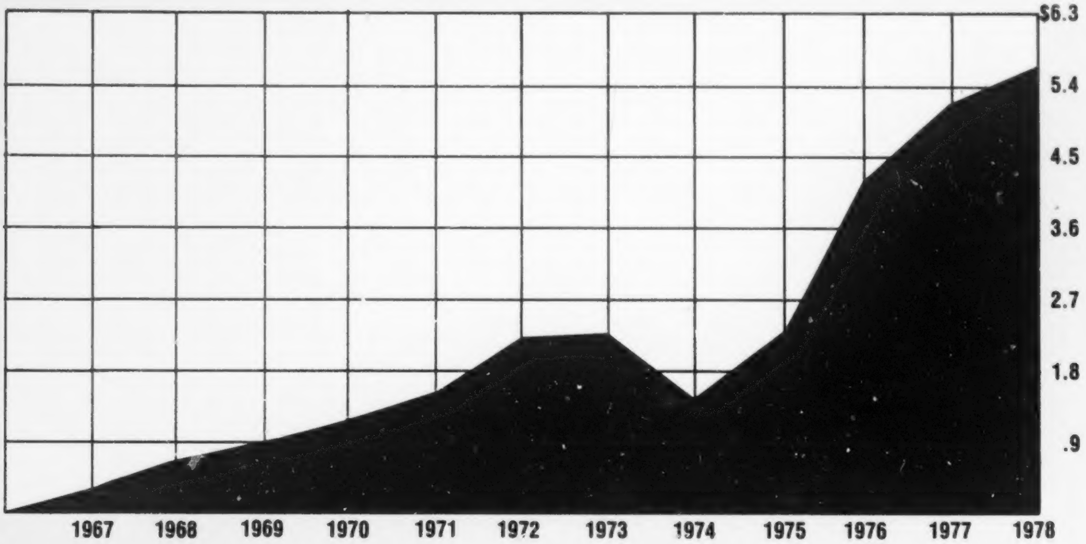


Source: Interstate Commerce Commission and Transportation Association of America; Motor Vehicle Manufacturers Association

3-56

RETAIL VALUE OF RECREATION VEHICLE SHIPMENTS, 1967-1978*

(Billions of Dollars)

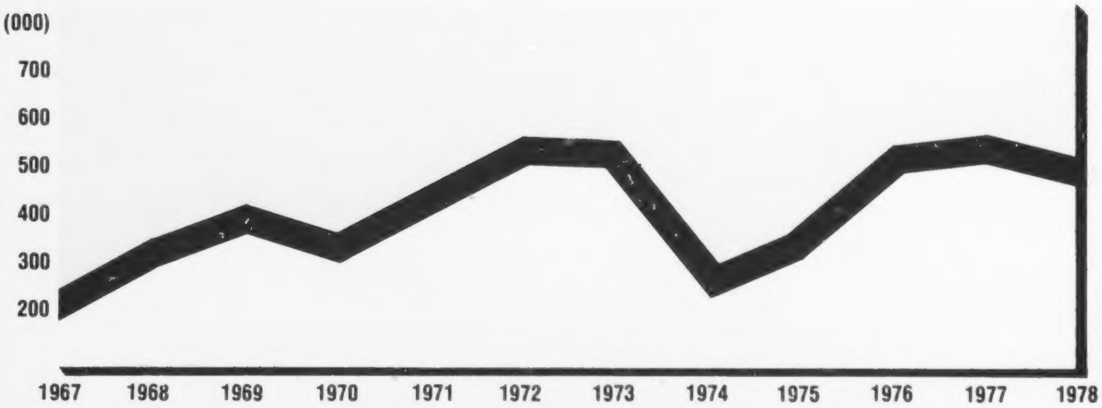


*For years 1976-1978, data include retail value of B-2 chassis estimates.
Source: Recreation Vehicle Industry Association

3-57

TOTAL RECREATION VEHICLE SHIPMENTS, 1967-1978*

(Units in Thousands)



*Includes travel trailers, fold-down camping trailers, truck campers, and motor homes. For years prior to 1976, type B-2 motor homes not included.
Source: Recreation Vehicle Industry Association

3-58

FAMILY CAMPING VEHICLE SHIPMENTS

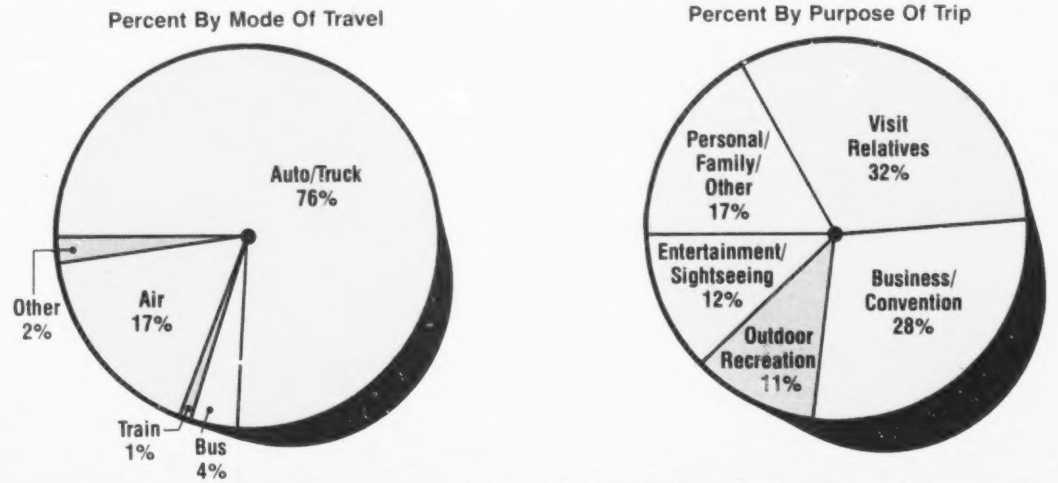
Product	1977	1978	1979*	% Change 1978-79
Travel Trailers — Conventional	145,900	132,700	73,100	−45
Travel Trailers — Fifth Wheel	22,000	27,100	16,000	−41
Fold-Down Camping Trailers	53,900	48,200	31,300	−35
Truck Campers	31,900	24,700	13,800	−44
All Towable RVs	**253,700**	**232,700**	**134,200**	**−42**
Motor Homes — A (Conventional)	43,000	46,600	22,100	−53
Motor Homes — B (Van Camper)	40,800	19,500	3,800	−81
Motor Homes — C (Chopped Vans)	76,400	91,100	40,700	−55
All Motor Homes	**160,200**	**157,200**	**66,600**	**−58**
Total RVs**	**413,900**	**389,900**	**200,800**	**−49**

**RVIA September forecast.*
***Total RVs excluding multi-use vehicles.*
Source: Recreation Vehicle Industry Association

3-59

DOMESTIC TRAVEL AWAY FROM HOME, 1977

313 Million Household Trips*



**One or more members of a household taking a trip together of over 100 miles one way and returning together.*
***Number of people taking trips of over 100 miles one way.*
Source: U.S. Department of Commerce, Bureau of the Census, National Travel Survey, 1977 Census of Transportation

ACCOMMODATIONS

HOTELS, MOTELS, AND RESORTS

Domestic Hotels and Motels

The lodging industry grossed a record $19.4 billion in 1978, 18.3% above 1977. Increases in costs and operating expenses, however, cut substantially into profitability. Estimates for 1979 indicate industry receipts for hotels and motels of approximately $22.9 billion, another 18% increase. (4-01) The number of available rooms rose only slightly in both years, the increase in construction offset by numerous properties taken off the market.

Hotel and motel chains accounted for 68.7% of the nation's hotel rooms in 1978, up from 63.1% in 1977. The number of rooms totaled 1,027,731 and the number of properties 8,782 or 21%. Holiday Inns, with a 24% share of these rooms, led the list of the 25 largest chains in the United States. Best Western, Ramada Inns, Sheraton, and Budget Hotels and Motels were also in the first five. (4-06)

Occupancy and Room Rates

Although industrywide averages show only a slight increase in room occupancy, these figures cover a broad spectrum of hotel sizes, including small and rural lodging establishments. (4-03) When broken down by payroll size and/or number of rooms, significantly higher occupancy rates appear. Studies by Laventhol and Horwath of hotels with 100 rooms or more indicate occupancy at 70% in 1978 and an estimated 72% in 1979. This group of hotels comprises almost half of the total rooms available. Similarly, Harris, Kerr, Forster's studies of 800 hotels and motels, whose revenues represent one-fifth of the gross receipts of the industry, showed a 1978 average occupancy rate of 72.7%, the highest in nine years. Resort hotels outpaced other groups with an average 76.9% occupancy rate in 1979.

Average room rates for the hotel group with 100 rooms or more monitored by Laventhol and Horwath were $33.49 in 1978, estimated to increase 13% to $38 in 1979. Data from the Harris, Kerr, Forster sample of hotels indicated an average daily room rate of $34.69 in 1978 and a resort room rate of $43.37, up 11.9% from the previous year. (4-05)

Room Shortages

All major cities reported brisk hotel activity in 1978 and 1979. Demand for hotel space far exceeded room supply in cities like Washington, New York, and San Francisco during most of 1979. Many other metropolitan areas around the country, including Boston, Chicago, Houston, Atlanta, Los Angeles, Miami, and San Diego also reported peak occupancy at certain periods of the year. In some urban areas like Detroit, hotel business once again flourished after years of declining occupancy and deterioration.

Increased business travel and higher convention attendance, as well as the growing tide of foreign visitors to the United States, contributed to the hotel room shortage. Approximately 20 million foreign tourists visited the U.S. in 1979, more than half of them from Canada and Mexico. The number of European visitors was up dramatically by almost 30% in fiscal 1979 and forecasts for 1980 point to continued strong growth in European arrivals. Only a few cities have so far felt the impact of the overseas arrivals. This should spill over to additional areas with tourist attractions, however, as hotel groups exploit the potential of this market. The increase in direct European flights to additional cities will also result in additional occupancy pressures.

Gasoline Shortages

Despite the generally prosperous hotel picture, there were pockets of trouble in 1979, the extent of difficulties varying according to region, location of properties, and size of establishment. The shortage of gasoline — first apparent in California — hurt motor hotels in highway locations and especially smaller and more remote properties. Interstate travel suffered because of the uncertainty of odd-even gasoline sales days. Overall occupancy was down for many chains and those dependent on auto travel suffered heavy revenue losses. Shortages were short-lived, however, and vacation travel rebounded in midsummer. The continuing fuel crisis problems led to a rethinking of market and location strategies.

From June through August, Holiday Inns operated a toll-free National Gasoline Advisory providing gas availability information in the United States and Canada. Of the average 5,000 calls per day, one-third resulted in reservations. Partly public service and partly creative marketing, this innovation kept travelers moving and simultaneously helped to fill hotel rooms.

Travel Agent Business

Travel agents have almost quadrupled their hotel sales from $600 million in 1970 to $2.1 billion in 1978. (4-07) Recent estimates indicate that agents generate 11% of hotel-motel sales revenue. With occupancy rates on the rise, business travelers turned increasingly to agents for advice on hotel selection. Recognizing the importance of travel agent business, the major chains are developing new programs and campaigns to strengthen travel agent relations.

New Construction

Most of the major lodging chains either opened new hotels in North America in 1979 or had plans to do so in 1980. Renovation of existing properties was spurred by lower costs for complete remodeling as compared with current high costs for new construction. Much of the development was in metropolitan and airport locations, and also prime resort areas, with the trend away from highway locations. The motor hotels, built initially to serve highway markets, have also shifted locational emphasis. After the first Arab oil embargo in 1974 revealed their vulnerability to gasoline shortages, they began to dispose of some roadside properties and concentrated building efforts in areas of high demand. The Holiday Inn system, which pioneered the motor-hotel concept, has sold over 100 properties since 1975, most of them near highways.

Numerous hotel developers took advantage of action grants offered by U.S. Department of Housing and Urban Development to stimulate the rehabilitation of older downtown properties, including hotels. Hotel and tourism projects will also benefit from recent Commerce Department grants totaling $100 million. Included was a $2 million grant to the city of Miami to develop a "Latin Quarter" tourist center which, it is hoped, will attract additional private investment for tourist projects.

Planning to add over 4,000 rooms in 1979 in the U.S. and Canada were Best Western with the highest total, followed closely by Hilton and Holiday Inn. Also opening substantial new properties were Sheraton, Travelodge, Ramada Inns, Howard Johnson, Radisson, and Quality Inns.

Business Travel

As economic prospects for 1980 dimmed, the continuing strength of business travel is of major importance to the hotel business. Estimates indicate that that the industry derives between 50-60% of its income from business travel and an additional 20-25% from conventions and meetings. Despite recession fears, industry observers see some indications of a rise in the number of business trips in 1980 and a rise in company spending for business travel. According to a study by the American Hotel and Motel Association, conducted in conjunction with members of the National Passenger Traffic Association, company spending for business travel will increase in 1980 by an average of 21% over 1979. This would follow a 13% increase in business travel expenditures in 1979. Because of inflation, there was some evidence that business executives may reduce slightly the length of their stay and the distances traveled, or maximize their visits in other ways.

INTERNATIONAL HOTELS AND MOTELS

Despite currency instability, inflated prices, and energy problems, international travel continued in an upward growth pattern. Receipts from international tourism totaled $65 billion in 1978 and were expected to reach $75 billion in 1979, with the U.S., Italy, and France reporting the highest amounts. (See World Market section) An estimated 275 million travelers were on the move worldwide in 1979, plus approximately one billion tourists traveling in their own countries. Supported by this volume of tourist movement, international hotels continued to prosper, as they had since 1977.

The European market was the chief beneficiary of increased global travel. Italy reported a banner year, anticipating 15% more tourists and 22% additional in tourist receipts in 1979. Visitors to France were up 6% and the French traveled abroad extensively — the United States, Latin America, and Africa their favorite destinations. Travel in the

United Kingdom was adversely affected by the leveling off of American tourists but other foreign visitors made up for the shortfall. Japanese tourists, with the exchange rate in their favor, continued to travel and spend heavily in Europe.

Operating Trends

In their survey of the international lodging market in 1978, Horwath and Horwath International noted that revenues of international hotels increased almost 20%, room occupancy rose by 1.8% to 72.9%, and average room rates rose 18.2%. In 1978, the percentage of revenue from room and food sales increased while the share from beverage sales receipts declined.

Their study of the changes in the source and composition of business in international hotels showed a turnabout from the previous year, with the percentage share of foreign business increasing in 1978 while domestic business share was down for the first time since 1974. Business travel which leaped forward substantially in 1977 was down slightly in 1978. Use of travel agents was up, as was use of reservation systems. (4-12)

While the weak U.S. dollar dampened American enthusiam for travel abroad, American travelers still represented the largest single group of guests in international hotels in 1978. The French were the next largest nationality group, rising from seventh place in 1977 to second place in 1978. (4-10)

Leading Hotels and Motels

On a worldwide basis, Holiday Inns and Best Western accounted for the largest number of rooms and properties. The top 20 hotel groups in world tourism also included hotel organizations in France, United Kingdom, Switzerland, Holland, Australia, and Germany, as well as additional U.S. hotels and motels. (4-08); (4-09)

Not content with their already dominant positions, both Best Western and Holiday Inns pursued vigorous expansion projects. Best Western, which currently claims an 11% share of the worldwide lodging market, expects to have a 33% share by 1989. To reach this goal, it anticipates a 20% increase in properties every year through 1989. In 1979 it operated hotels in 13 foreign countries and was negotiating for properties in 10 additional ones. The Holiday Inn system, with motels in 56 countries, is in the second year of a five-year expansion program geared to 70,000 new rooms. Growth plans, albeit somewhat more modest, were also projected by almost all the other leading hotel organizations.

Pursuit of New Markets

Anxious to reap the benefits of foreign tourism to the United States, overseas chains were actively involved in the U.S. hotel scene. Among those investing in the U.S. market were Trusthouse Forte of the United Kingdom, Novotel and Meridien from France, Four Seasons and Canadian Pacific from Canada, Regent from Hong Kong, and the British-based Imperial Group Ltd.

Still another interesting transnational development was the bid in the fall of 1979 by the British Grand Metropolitan Hotel Group to acquire the three leading hotels in Paris. If completed, British rather than French interests would own the majority of Paris hotels.

Substantial hotel expansion was underway in the Middle East, with the emphasis on building international-style luxury hotels. In Egypt, the government hopes that an additional 20,000 beds will come on the market within the next five years. Israel also is increasing its hotel room stock in the hope that its more stable relations with Egypt will produce a new wave of tourists. Many new hotels opened in the Gulf States, Jordan, and Saudi Arabia, but that market still centers around the business traveler.

Among the countries in Asia reporting major new hotel construction were India, Singapore, Thailand, Hong Kong, Japan, Korea, Taiwan, and Australia. China promises to become a popular destination point but the ultimate development of that market rests upon the degree of expansion desired by the government.

In a shift that may well foreshadow the future, some hotel chains placed more emphasis on moderate-priced hotels. Intercontinental Hotels Corporation, owned by Pan American Airways, is expanding its Forum properties in Europe, which cater to tourist rather than luxury travelers. Hilton International, which has also experimented with medium-priced hotels, plans to continue in this direction and offer less expensive facilities for the budget-conscious traveler. The Holiday Inn expansion program also focuses on moderate-priced rooms. For tourism to continue to grow in already developed markets, the hotel industry will be pressed to provide accommodation styles that meet the needs of the newer, less affluent traveler.

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4-01

DOMESTIC HOTELS AND MOTELS: VITAL STATISTICS

1978 Expenditures: 19.4 billion
18.3 percent increase over 1977

Room Availability and Occupancy Trends

	1976	1977	1978
Available rooms (millions)	2.2	2.2	2.25
Occupancy	63%	65%	67%

1979 Estimate:

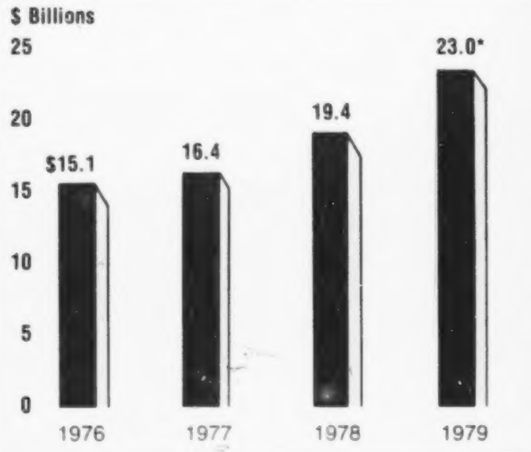
Expenditures	$22.9 billion	+18%
Rooms Available	2.3 million	
Occupancy	68%	

Source: Figures on expenditures based on data compiled by U.S. Department of Commerce, Bureau of the Census, and Laventhol and Horwath forecast; other figures based on data from Harris, Kerr, Forster & Company and Laventhol and Horwath

4-02

TOTAL RECEIPTS OF U.S. HOTELS AND MOTELS

(Billions of Dollars)



**Rounded estimate by Laventhol and Horwath.*
Source: U.S. Department of Commerce, Bureau of the Census, Laventhol & Horwath

4-03

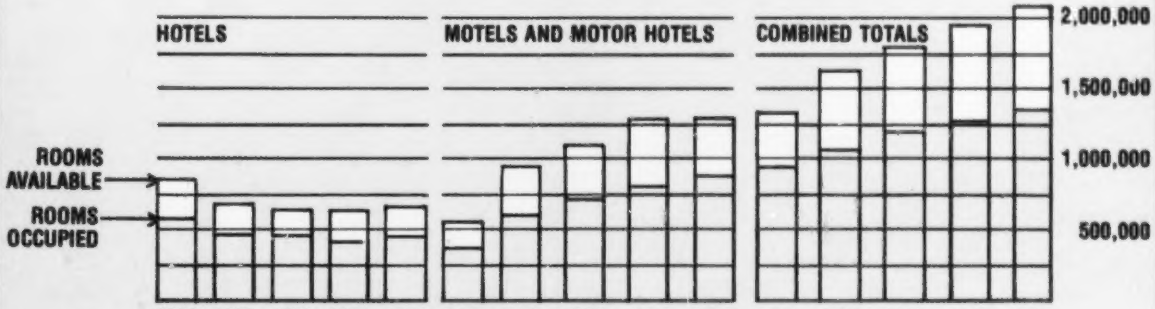
THE TREND OF BUSINESS FOR THE NATION'S HOTELS AND MOTELS

	1968	1973	1978
Hotels—25 or More Guest Rooms:			
Number of Establishments	7,490	7,340	7,320
Number of Rooms Available per Day	700,000	705,600	712,800
Average Number of Rooms per Establishment	93.5	96.1	97.4
Average Number of Rooms Occupied per Day	463,800	448,550	479,700
Percentage of Occupancy	66%	64%	67%
Gross Annual Income—All Establishments ($1,000)	$3,992,136	$4,811,535	$7,851,443
Average Annual Income per Available Room	$5,703	$6,819	$11,015
Motels and Motor Hotels—All Sizes:			
Number of Establishments	30,310	30,030	30,200
Number of Rooms Available per Day	1,117,600	1,266,600	1,339,700
Average Number of Rooms per Establishment	36.9	42.2	44.4
Average Number of Rooms Occupied per Day	745,300	819,525	897,600
Percentage of Occupancy	67%	65%	67%
Gross Annual Income—All Establishments ($1,000)	$3,864,183	$5,453,572	$8,797,080
Average Annual Income per Available Room	$3,458	$4,306	$6,566
Combined Totals:			
Number of Establishments	37,800	37,370	37,520
Number of Rooms Available per Day	1,817,600	1,972,200	2,052,500
Average Number of Rooms per Establishment	48.1	52.8	54.7
Average Number of Rooms Occupied per Day	1,209,100	1,268,075	1,377,300
Percentage of Occupancy	67%	64%	67%
Gross Annual Income—All Establishments ($1,000)	$7,856,319	$10,265,107	$16,648,523
Average Annual Income per Available Room	$4,322	$5,205	$8,111

Note: Figures are for establishments with payroll.
Source: Harris, Kerr, Forster & Company, based on U.S. Census data and HKF estimates

4-04

THE TREND IN AVAILABLE ROOMS AND OCCUPANCY FOR THE NATION'S HOTELS AND MOTELS

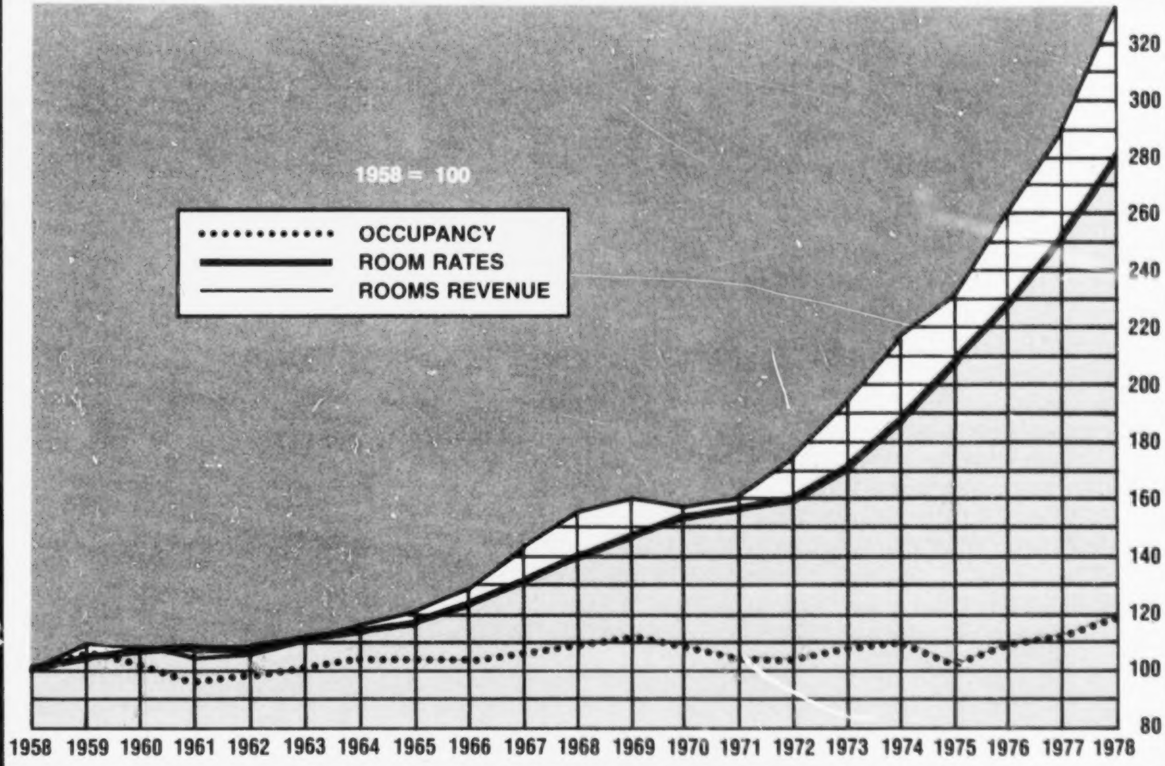


	1958	1963	1968	1973	1978	1958	1963	1968	1973	1978	1958	1963	1968	1973	1978
Rooms Occupied	602	462	464	449	480	370	625	745	819	897	972	1,087	1,209	1,268	1,377
Rooms Available (Thousands)	844	711	700	706	713	525	970	1,118	1,267	1,340	1,369	1,681	1,818	1,973	2,053

Note: Figures are for establishments with payroll.
Source: Harris, Kerr, Forster & Company, based on U.S. Census data and HKF estimates

4-05

RESORT HOTELS
TREND OF OCCUPANCY, ROOM RATES, ROOMS REVENUE



Source: Harris, Kerr, Forster & Company

4-06

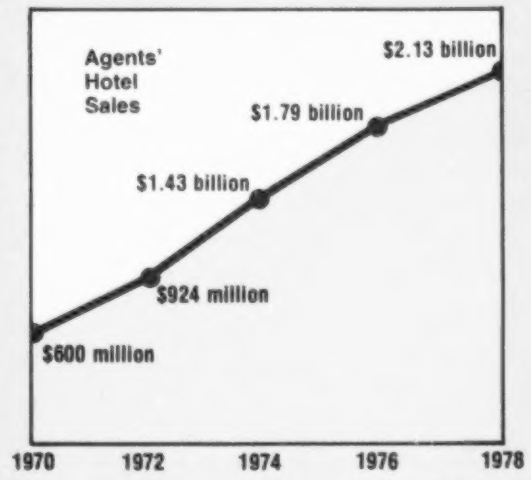
25 LARGEST HOTEL/MOTEL CHAINS IN THE UNITED STATES*, 1978

1. Holiday Inns, Inc.
2. Best Western
3. Ramada Inns
4. Sheraton
5. Budget Hotels & Motels
6. Hilton Hotels
7. Howard Johnson
8. Days Inns
9. TraveLodge International
10. Quality Inns
11. Hyatt Hotels
12. Friendship Inns International
13. Motel 6, Inc.
14. Timoa Inns, Inc.
15. Marriott Hotels
16. Rodeway Inns of America
17. Western International Hotels
18. Topeka Inn Management
19. LaQuinta
20. United Inns, Inc.
21. Downtowner/Rowntowner
22. Motor Hotel Management
23. Aircoa
24. Americana
25. Master Host Inns, Inc.

*Ranked according to number of properties and number of rooms.
Souce: American Hotel and Motel Association

4-07

HOTEL SALES BY TRAVEL AGENCIES



Source: Travel Weekly/*Louis Harris and Associates*

4-08

LEADING INTERNATIONAL HOTELS/MOTELS 1978

Organization/Country	Type	Number of Rooms	Number of Hotels
1. Holiday Inns, Inc., USA	Chain	286,529	1,718
2. Best Western, USA	Referral	160,063	2,188
3. Sheraton Corp., USA	Chain	102,019	402
4. France Ski Intl., France	Referral	100,000	15*
5. Ramada Inns, USA	Chain	92,392	643
6. Trust Houses Forte, UK	Chain	77,051	860
7. Friendship Inns, USA	Referral	69,300	1,070
8. Federation Nationale, Fr.	Referral	65,873	4,036
9. Hilton Corp., USA	Chain	62,972	175
10. Howard Johnson, USA	Chain	59,040	524
11. Supranat'l. Reserv., Switz.	Referral	57,000	285
12. Golden Tulip, Holland	Referral	47,120	250
13. Days Inns, USA	Chain	42,036	301
14. HRI, USA	Referral	40,000	135
15. Flag Inns, Australia	Referral	39,015	480
16. SRS, Germany	Referral	38,947	142
17. Quality Inns, USA	Chain	33,717	300
18. Intercontinental, USA	Chain	30,057	83
19. Hilton Intl., USA	Chain	28,034	76
20. Club Med., France	Chain	25,221	87

*Areas, not hotels.
Source: Service World International *(205 E. 42 Street, New York, N.Y. 10017)*

4-09

WORLD'S LARGEST HOTEL/MOTEL CHAINS 1978

Rank	Name of Chain	No. of Rooms	No. of Hotels
1.	Holiday Inns, Inc.	286,529	1,718
2.	The Sheraton Corp.	102,019	402
3.	Ramada Inns	92,392	643
4.	Trust Houses Forte, Ltd.	77,051	860
5.	Hilton Corporation	62,972	175
6.	Howard Johnson Co.	59,040	524
7.	Days Inns of America, Inc.	42,036	301
8.	Quality Inns Int'l., Inc.	33,717	300
9.	Intercontinental Hotels	30,057	83
10.	Hilton International Co.	28,034	76
11.	Club Mediterranee	27,168	98
12.	Western International	26,700	50
13.	Hyatt Corp.	26,000	52
14.	Motel 6, Inc.	25,473	254
15.	Novotel SIEH	23,410	192
16.	Balkantourist	20,492	251
17.	Intourist	18,347	64
18.	Marriott Corp.	17,987	40
19.	Rodeway Inns of America	17,986	147
20.	Red Carpet/Master Hosts	16,776	131
21.	Japan Air Lines Development	14,500	36
22.	Topeka Inn Management	12,410	74
23.	Commonwealth Holiday Inns	12,254	58
24.	Hoteles Agrupados S.A.	12,000	22
25.	Cedok	11,300	222
26.	Grand Metropolitan, Ltd.	11,223	65
27.	Canadian Pacific Hotels	10,375	31
28.	Tokyu Hotel Chain	10,232	48
29.	Downtowner/Rowntowner	10,000	68
30.	Hyatt International Corp.	9,061	24
31.	Cadena Hotelera Sol	8,900	43
32.	Hoteles Husa	8,761	66
33.	AMFAC	8,586	29
34.	La Quinta Motor Inns, Inc.	8,560	75
35.	Dunfey's Family Hotels	8,540	22
36.	Interhotel DDR	8,525	27
37.	United Inns, Inc.	8,157	34
38.	Orbis	8,147	42
39.	AIRCOA	7,900	31
40.	Meridien	7,819	26
41.	Americana Hotels, Inc.	7,809	18
42.	Loew's Hotels	7,600	15
43.	American Motor Inns	7,476	54
44.	Radisson Hotel Corporation	7,125	19
45.	Econo-Travel Motor Hotel	7,076	127
46.	The Stouffer Corporation	7,040	20
47.	Pick Hotels Corp.	7,000	27
48.	Prince Hotels	6,515	41
49.	Crest Hotels Europe	6,500	74
50.	Steigenberger Hotels Corp.	6,350	31

Note: *Best Western, USA, sometimes considered a referral rather than a chain operation, reported a total of 160,063 rooms and 2,188 hotels in 1978. This would place it in second position in the world ranking above.*

Source: Service World International *(205 E. 42 Street, New York, N.Y. 10017)*

4-10

NATIONALITY OF GUESTS IN INTERNATIONAL HOTELS

	Rank		
	1978	1977*	All Hotels
U.S.A.	1	1	23.8%
French	2	7	10.0
Canadian	3	4	9.4
German	4	3	9.1
Other European	5	6	6.5
Japanese	6	8	5.9
British	7	2	5.8
Mexican	8	15 (T)	5.5
Other Asian	9	9	4.6
South American	10	13	3.7
Australasian	11	10	3.6
Mideastern	12	11	3.1
Italian	13	12	2.5
Other African	14	14	2.1
Central American	15	15 (T)	1.8
Scandinavian	16	5	1.7
North African	17	16	.9
Total			**100.0%**

**Excluding U.S.A.*
(T) Tie
Source: Horwath and Horwath International and Laventhol and Horwath

4-11

WHICH COUNTRIES HAVE THE MOST HOTEL BEDS?

Country	Beds (000)	Country	Beds (000)
USA	4,048.5	United Kingdom	667.0
Italy	1,519.3	Austria	640.0*
German Federal Republic	99.2	Canada	638.5
Spain	975.1	Switzerland	275.2*
France	896.4	Greece	227.6

**Includes "boarding houses"; data for all other countries limited to hotels, motels, inns.*

Source: Service World International *(205 E. 42 Street, N.Y., N.Y. 10017), based on data from American Hotel and Motel Association, Organization for Economic Cooperation and Development, World Tourism Organization*

4-12

INTERNATIONAL HOTELS, 1974-1978
SOURCES AND COMPOSITION OF BUSINESS

Market Data
Five-Year Trend—All Hotels (Excluding U.S.A.)

	1978	1977	1976	1975	1974
Source of Business					
Domestic	37.4%	42.5%	37.7%	31.6%	31.2%
Foreign	62.6	57.5	62.3	68.4	68.8
Percentage of Repeat Business	35.7%	37.4%	36.7%	25.3%	28.2%
Composition of Market					
Government Officials	5.5%	5.7%	5.6%	5.1%	5.0%
Businessmen	40.2	42.0	31.7	31.6	33.6
Tourists	33.5	35.9	41.7	42.4	39.5
Conference Participants	10.7	12.6	10.8	9.4	11.0
Other	10.1	3.8	10.2	11.5	10.9
Percentage of Advance Reservations	80.6%	80.6%	81.2%	79.5%	81.4%
Composition of Advance Reservations					
Direct	29.9%	35.5%	30.7%	27.8%	28.3%
Reservation Systems	24.9	23.2	22.4	31.1	20.9
Travel Agents & Tour Operators	32.3	30.5	34.7	33.2	43.1
Other	12.9	10.8	12.2	7.9	7.7
Ratio of Travel Agent Commissions to Room Sales	2.2%	1.6%	2.4%	2.8%	3.2%

Source: Horwath and Horwath International and Laventhol and Horwath

FOOD SERVICES

Despite indications of recession and declining restaurant traffic because of energy and inflation problems, food and drink revenues in commercial establishments rose by approximately 9% in 1979. Sales were expected to rise from $79 billion in 1978 to $87 billion in 1979, according to December 1979 estimates of the National Restaurant Association. (4-13) Most of this gain, however, stemmed from menu price increases which approximated 11% in 1979, compared with 9% in 1978.

Restaurant industry sales, defined as sales in eating and drinking places and in hotels and motels, were estimated at $73 billion in 1979. Eating place revenues alone, in establishments primarily engaged in selling prepared meals and snacks, amounted to $60.4 billion, 9.4% over 1978. In the first half of 1979, menu price advances accounted for almost nine-tenths of the gain in eating place sales. (4-16)

In the last decade, restaurant sales have grown steadily in dollar volume, although the percentage of increase has been declining slightly since 1975. The percent of disposable personal income spent at restaurants has varied little in the last ten years, from a low of 4.4% in 1971 to a high of 4.88% in 1977.

Within the industry, the fast food segment has consistently outpaced other markets. Limited menu restaurants, which include most of the fast food units, totaled $24 billion, up 11.9% from 1978 and running well above the industry average. In the past decade, sales of limited menu-fast food restaurants have nearly quadrupled. However, menu price rises have been especially steep in this area and have accounted for much of the gain. Industry observers see a clouded picture ahead because of sales weaknesses and operating problems.

Spring-Summer Slowdown

During the spring and summer quarters, customarily periods of heavy restaurant patronage, customer traffic slowed considerably. California, the first to feel the impact of the gas shortage, registered a 15% decline in restaurant customer traffic in May, compared with a 6% decline in the rest of the country. Fast food restaurants were particularly badly hurt but this resulted from a combination of menu price increases as well as fuel shortages. An ongoing survey by a group of food service organizations noted that the average check size in fast food units advanced 17% from May 1978 to May 1979 while it increased only 2% at atmosphere/specialty restaurants.

The decline in summer vacation automobile travel, although not quite so large as first anticipated, nonetheless cut into restaurant sales, the impact varying regionally and by restaurant type. Across the country as a whole, projected eating place sales growth declined by approximately 1% as a result of the gasoline crisis. The National Restaurant Association estimates that automobile vacationers spend approximately 35% of their total vacation expenditures on food away from home.

Travel Food Expenditures

Vacation travelers account for 60% of total travel food expenditures, and business travelers 20%, according to the U.S. Travel Data Center's recent report, *1977 National Travel Expenditure Study*. A breakdown of travel food expenditures by income shows upper-income households spending a larger proportion of their travel dollar on food than lower-income groups and also accounting for a significant proportion of the travel food dollar.

While vacation travelers spend considerably more on food than business travelers, the business travelers' share is less volatile and less affected by energy and inflation problems. Still another group of importance and one whose share of travel food spending is on the upswing is international travelers. According to National Restaurant Association estimates, international travelers to the U.S. spent $1.8 billion on food in 1979, a 50% increase over the 1977 total. Their food preferences will influence menu offerings and restaurant expansion in the next decade.

4-13

FOOD SERVICE INDUSTRY — FOOD AND DRINK SALES

	1978* (000)	1979* (000)	% Change 1978/79
Restaurants, Lunchrooms	$29,810,089	$32,164,093	7.9
Social Caterers	720,999	745,369	3.4
Commercial Cafeterias	1,878,804	1,996,418	6.3
Limited Menu Restaurants (Refreshment Places)	21,757,488	24,356,086	11.9
Ice Cream Frozen Custard Stands	1,071,865	1,186,340	10.7
Bars & Taverns	6,678,224	7,055,677	5.6
Total: Eating and Drinking Places	**$61,917,469**	**$67,503,983**	**9.0**
Total: Food Contractors, Hotel and Motel Restaurants, etc.**	**$17,517,644**	**$19,064,461**	**8.5**
Total Commercial Sales	**$79,435,113**	**$86,568,444**	**9.0**

**Revised estimates incorporating recently released final sales data from U.S. Department of Commerce, 1977 Census of Retail Trade, and December 1979 industry projections.*

***Includes retail host restaurants, recreational and sports center restaurants, and vending and nonstore retailers.*

Source: National Restaurant Association

4-14

INTERNATIONAL TRAVELERS TO THE UNITED STATES, 1979

Percent of Total Expenditures for Food and Lodging*

Visitors from:	% Share for Food and Lodging
Canada	29%
Mexico	29
Europe	34
South America	29
Japan	29
Other	32

**Estimated total excludes transportation expenditures to the United States.*

Source: U.S. Department of Commerce, U.S. Travel Service

4-15

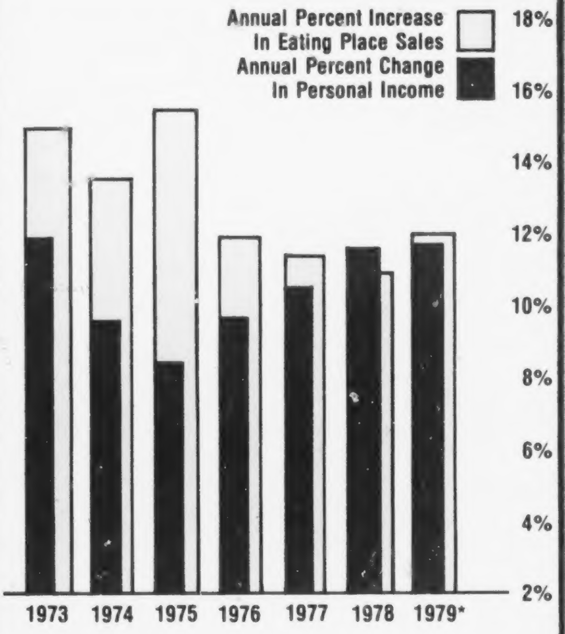
TRAVEL FOOD EXPENDITURES AUTO TRAVELER — AIRLINE TRAVELER

	Auto Traveler	Airline Traveler
Amount Spent on Food (bil's of dollars)	$18.9	$5.2
Percent of travel dollars spent on food	37.6%	16.4%
Per capita trip expenditures for food	$43.72	$81.09

Source: U.S. Travel Data Center, 1977 National Travel Expenditure Study, Summary Report

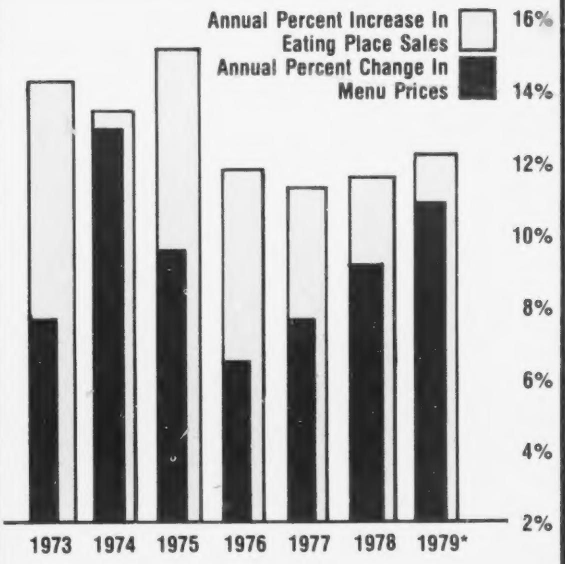
4-16

EATING PLACE SALES AND PERSONAL INCOME



*Projected
NOTE: Eating place sales percent changes based on estimates from annual NRA foodservice industry studies.

EATING PLACE SALES AND MENU PRICES



*NRA Projection.
NOTE: Eating place sales percent changes based on estimates from annual NRA foodservice industry studies 1973-76.
Source: Bureau of the Census; Bureau of Labor Statistics; National Restaurant Association

4-17

TRAVEL FOOD EXPENDITURES BY INCOME

Income Range	% Total Travel Dollar Spent On Food	% Share of Total Travel Food Dollar	Per-Person-Trip Travel Food Expenditures
Under $5,000	22.9%	5.3%	$36.72
$ 5,000 to $9,999	22.4%	11.2%	$45.05
$10,000 to $14,999	28.1%	16.5%	$39.54
$15,000 to $19,999	30.8%	17.8%	$47.99
$20,000 to $24,999	30.1%	14.8%	$46.36
$25,000 to $34,999	33.6%	20.8%	$66.40
$35,000 and over	30.2%	13.6%	$65.53

Source: U.S. Travel Data Center, 1977 National Travel Expenditure Study, Summary Report

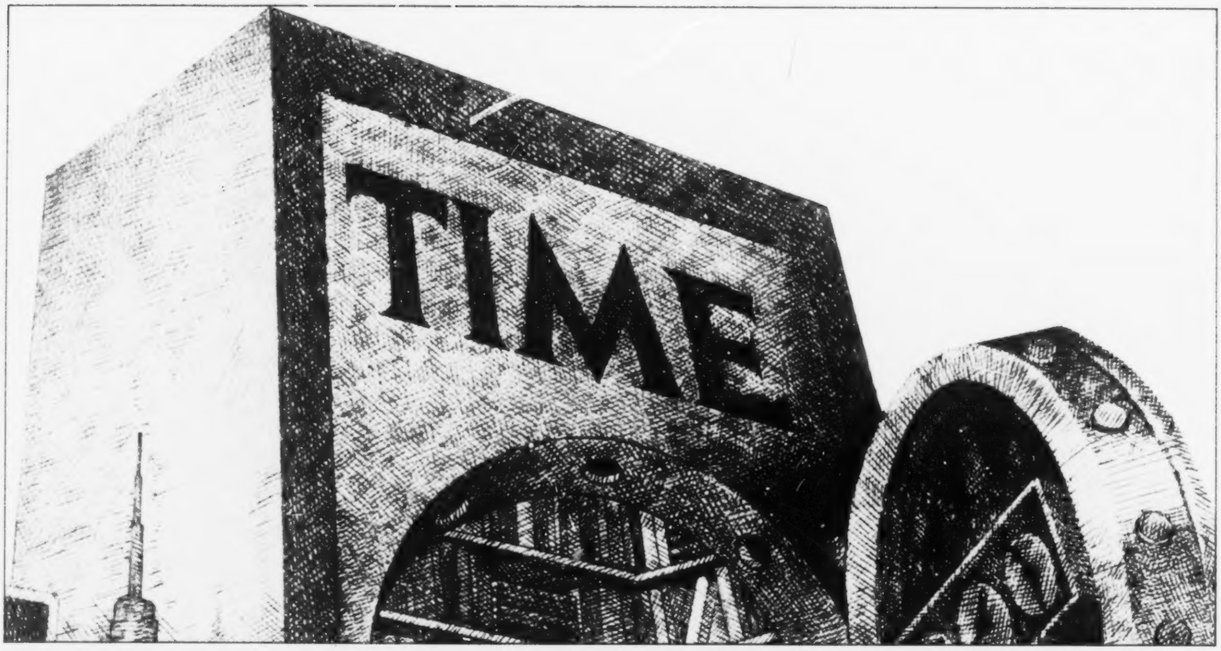
4-18

PATRONAGE OF LEADING FAST FOOD CHAINS IN PAST SIX MONTHS

(Percent of Respondents)

	(Unweighted Base = 100%)	Males	Females
Visited any Fast Food Restaurant in Past Six Months (Net)	93%	94%	92%
McDonald's	60%	62%	58%
Kentucky Fried Chicken	60	62	59
Burger King	30	32	29
Dairy Queen	30	29	32
Pizza Hut	19	16	22
Burger Chef	16	13	18
Big Boy	15	12	17
Hardee's	13	12	15
Sambo's	11	12	9
A&W International	9	9	9
Bonanza	8	6	10
Denny's	8	7	8
Jack-in-the-Box	7	8	7

Source: Newspaper Advertising Bureau, Eat and Run: A National Survey of Fast Food Chain Patronage, 1978



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The research people TIME uses are the finest in the field. The samples are large. The questionnaires draw high response. TIME also relies on hard "real world" data such as Census and Bureau of Labor Statistics. In fact, outside of the government itself, TIME's Answer Bank is the largest single source of census-based data.

Here are a few examples of the travel reports currently on deposit in TIME's Answer Bank:

What Really Determines the Choice of an Airline? This off-board study, done in cooperation with four leading domestic carriers, explores the attitudes, preferences and expectations involved in airline selection.

People Who Travel. Two major research organizations—The Gallup Organization and the U.S. Travel Data Center—document the size and scope of the U.S. travel market including the increasing importance of the upscale traveler.

The Quiet Revolution. An analysis of the lifestyle patterns and demographic profiles of working women, an important new segment of the travel market.

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TRAVEL SERVICES

TRAVEL AGENTS

One of the most remarkable patterns of growth in the travel industry as a whole can be documented by the development of travel agencies in the United States. According to the most recent survey of the character and volume of the retail travel market conducted by *Travel Weekly* and Louis Harris and Associates, the number of conference-appointed agencies in this country totaled 14,804 at the end of 1978, 121% more than the 6,700 which existed in 1970 and 21% more than the number reported in 1976.* (5-01)

During the first half of 1979, the Air Traffic Conference increased its list of travel agencies by a net of 825, up 20.4% over the 685 new firms added in the first half of 1978. (Net increase is the difference between new appointments and deletions.) These additions brought the total of appointed locations in the U.S.and Canada to 17,453 — 15,594 in the U.S. alone — as of June 30, 1979. The ATC figures also revealed a growth rate of 9 to 11% per year.

Travel Agency Sales

The growth rate of total agency sales was even more dramatic. Conference-appointed U.S. agencies produced $19.4 billion in sales during 1978, representing a 30% jump over 1976 as well as a 288% increase over the $5 billion generated eight years before. (5-06) This translates into an average dollar volume per agency of about $1.4 million or 88% more than in 1970.

Most of this business, however, was concentrated among the larger retail outlets. Agencies doing $1 million or more in gross sales accounted for 78% ($15.2 billion) of the total $19.4 billion reported. (5-02) In 1970, these larger firms were responsible for only 58% of total sales in the amount of $2.9 billion. Conversely, smaller agencies — with dollar volumes between $500,000 and $1 million — produced 18% of the business in 1978, down from 28% in 1970.

In light of these statistics, it is worth noting that the actual numbers of high and low volume agencies have undergone significant changes since first studied ten years ago. Retailers with gross sales exceeding $1 million per year made up 29% of the total number of agencies in 1970. They stood at 52% in 1978. On the other hand, the $500,000-and-under firms represented 40% of the retail population in 1970, while 1978 found them at only 15% of total locations. (5-05)

Agency Commercial Accounts

An important factor in the growth of agency sales documented in 1978 was the surge in bookings for commercial travel accounts (i.e., those made directly for companies). Sales for corporate clients rose from 28% of total bookings in 1970 and 37% in 1976 to 40% in 1978. (5-08) In terms of dollar volume, commercial accounts generated $7.76 billion in 1978, up from $5.51 billion in 1976 and more than the total amount produced by all types of bookings made by agents in 1970. (5-09)

Furthermore, 89% of travel agencies were involved in making arrangements for corporate accounts, with 84% reporting an increase in unsolicited commercial bookings. Again, it was the high volume agencies that did a greater share of business in the commercial travel area. Those with total sales over $1 million attributed more than 40% of their bookings to corporate accounts.

Business travel, in general, was responsible for a greater share of the total bookings made by high volume agencies. Retailers who produced over $1 million in sales in 1978 reported that more than 50% of their bookings entailed making arrangements for business or combined business/pleasure trips. (5-14) However, regardless of size, all U.S. travel agencies experienced a growth in sales for business travelers. In 1978, business and business/pleasure travel accounted for 50% of total dollar volume, up from 43% in 1970. (5-15)

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*The Travel Weekly/Louis Harris study has been undertaken on a biennial basis since 1970. Findings are based on personal interviews with executives of 738 conference-appointed agencies and are projectable to the universe of all U.S. travel retailers. Latest figures available come from the survey taken in 1978, fifth in the series.

Agency Airline Sales

Air travel continued to represent the greatest share of agency sales in 1978, a trend which has been apparent since the *Travel Weekly*/Harris study began. 61% of retailers' total dollar volume — or $11.83 billion — was derived from airline bookings, down slightly from 63% in 1976 (5-04), 5-03) In comparison, hotel bookings accounted for 11% of total sales, with cruises at 11%, car rentals at 7%, and rail travel at 3%. (5-11)

Although air travel arrangements — expressed as a percentage of gross agency sales — remained relatively constant, commissions on those bookings steadily increased during 1978 and the first half of 1979. (5-12) Deregulation of the domestic airline industry was largely responsible, as more travelers turned to agents for assistance in reserving flights. However, the proliferation of agency locations also had a strong impact on the total dollar amount of airline commissions paid.

U.S. airline commissions totaled $547.5 million during the first half of 1979, a 20.6% increase over the $454 million reported a year earlier. (5-13) Trunk carriers paid $498 million, an 18.6% increase, while local service carriers — the biggest beneficiaries of deregulation — paid nearly $50 million, an impressive 45% more than in 1978. Additional figures reveal July 1979 commissions of $106 million, a 10% boost over the previous year; August commissions of $96 million, up 38% over August 1979; September commissions of nearly $122 million, 90% higher than that month in 1978.

Average domestic commission rates hit their highest level ever recorded by the ATC in July 1979. While levels usually fluctuate between 8.2 and 8.4%, a rate of 8.8% for that month largely reflected double commissions earned on United and American half-fare coupons. By August, the commission rate dropped to 8.5%. Nevertheless, this represented a better pay level than had been reported by ATC statistics gathered in 1978 which showed 66.4% of agencies earning only 7-8% average commissions. (5-10)

Deregulation of Travel Agencies

The commission structure, however, as well as the travel agency business as a whole, stand on the threshold of change. The CAB's deregulation of the domestic airline industry has led to an examination of agency/airline relations that is likely to upset the currently fixed system controlled by the ATC and IATA.

In October 1979, with route and fare deregulation well underway, the CAB turned to a formal and far-reaching investigation of competitive marketing in air transportation. Although hearings were not scheduled until after the first of the year, the Board made it clear that its inquiry will delve into the concept of net fares* and other pricing ideas, ATC and IATA appointment standards, agency reporting and remitting procedures, and a number of other aspects of the present agency/airline system.

There is no doubt that the CAB finds the existing system not only too rigid for the industry, but inadequate in terms of meeting consumer needs. The Board put airlines and agents on alert that during the long-range probe, carriers will be free to experiment with net fares and similar pricing concepts that would create a more fluid market. It also suggested that the industry carefully consider the value of the entire airline appointment structure which, as it stands, excludes potential travel agents who do not have IATA or ATC approval and air carriers who are not conference members.

At the same time, the CAB took strong steps toward eliminating the structure of fixed domestic airline commission rates and replacing it with an open system which would enable each carrier to establish its own program of compensation. The Board had already approved such a policy for international airlines, and it now looks as if open commissions will be endorsed by the domestic airline industry.

The government's efforts to create a more competitive travel market have thrown the nation's agents into an intense period of transition. Some retailers are skeptical about the advantages of open commissions, pointing out that they would result in confusion and little change in income. Others welcome the opportunity to earn more under an open pay system. However, most travel agents fear that net fares will threaten their very existence. The smaller agencies, in particular, worry that price competition will drive them out of business.

Automation and the Future

Faced with an uncertain future, travel agents see automation as one road to survival. Computerized reservation and ticketing devices offer retailers a chance to cut costs, save time, and stay on top of continually changing air fares, flight schedules, and hotel and rental car availability. A recent estimate put the number of automated agencies in the U.S. and Canada at 4,000 as of the end of August 1979, with another 1,800 locations having placed orders for computerized equipment.

U.S. travel agents were adding automated systems at the rate of 165 per month during the summer. American Airlines expected to have 1,400 installations by summer's end. United

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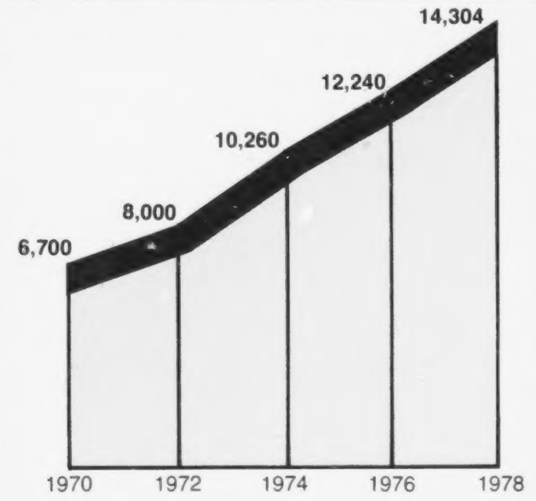
**The concept of net fares would enable airlines to set basic price levels for air transportation with travel agents adding their own mark-ups for retail sale. This would create a price-competitive system among agencies which have, in the past, always sold tickets at fixed tariffs.*

anticipated 1,200, while TWA counted 280 and USAir 180. In general, the number of agencies installing computers is growing much faster than was predicted two years ago when the airlines began a concerted effort to launch "outside-user" programs.

In view of the anticipated impact of deregulation on the nation's travel agents, the updating and streamlining of routine operations, via automation, represents but a single avenue to continued growth. Speaking at the American Society of Travel Agents' World Travel Congress in October 1979, ASTA president Joe Stone suggested that the key to the survival of travel agents was the development of new sources of income. He stressed the fact that retailers have been too dependent on the airline industry for too long and announced plans to meet with hotel companies, cruise lines, car rental firms, and tour operators to discuss new marketing strategies.

5-01

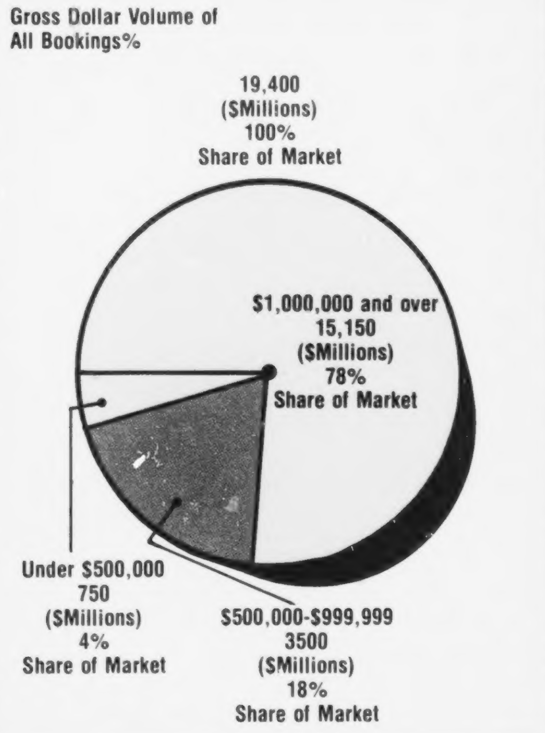
NUMBER OF TRAVEL AGENCIES
1970-1978



Source: Travel Weekly *Louis Harris and Associates*

5-02

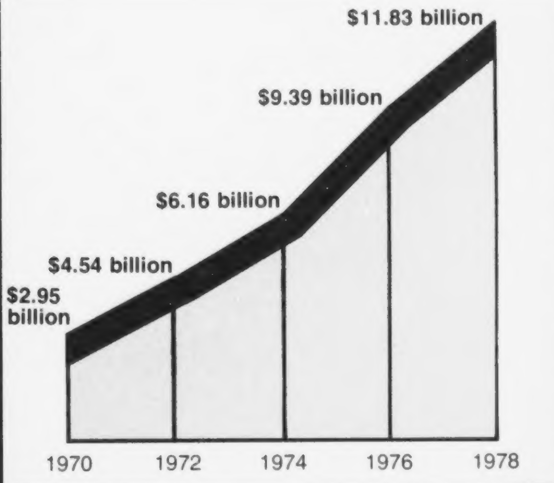
SHARE OF AGENCY MARKET
BY GROSS DOLLAR VOLUME
(1978)



Source: Travel Weekly *Louis Harris and Associates*

5-03

TRAVEL AGENCY AIRLINE SALES
1970-1978



Source: Travel Weekly *Louis Harris and Associates*

5-04

TRAVEL AGENCY VITAL STATISTICS

	1974	1976	1978
Gross Revenues	$11.0 billion	$14.9 billion	$19.4 billion
Number of Agencies	10,260	12,240	14,804
Distribution of Bookings			
Air Travel	56%	63%	61%
Hotel, Motel & Resorts	13%	12%	11%
Cruise Ships	11%	10%	11%
Rail Travel	3%	3%	3%
Car rentals, misc.	17%	12%	14%

Source: Travel Weekly *Louis Harris and Associates*

5-05

NUMBER OF AGENCIES BY GROSS DOLLAR VOLUME

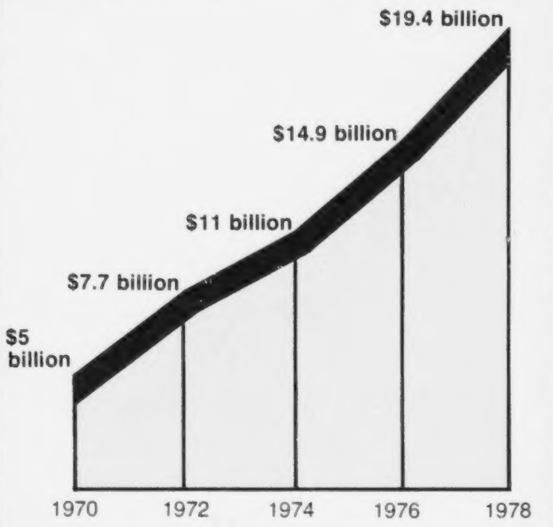
(By % of Total Number of Agencies)

Gross Dollar Volume	1970	1972	1974	1976	1978
Under $500,000	40	33	25	18	15
$500,000-$999,999	31	35	38	39	33
$1,000,000 and over	29	32	37	43	52

Source: Travel Weekly *Louis Harris and Associates*

5-06

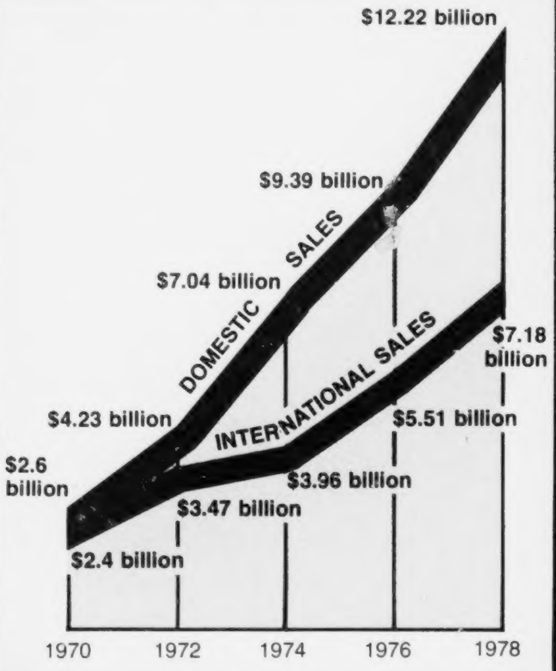
GROWTH OF TRAVEL AGENCY SALES 1970-1978



Source: Travel Weekly *Louis Harris and Associates*

5-07

TRAVEL AGENCY SALES: DOMESTIC VS. INTERNATIONAL



Source: Travel Weekly *Louis Harris and Associates*

5-08

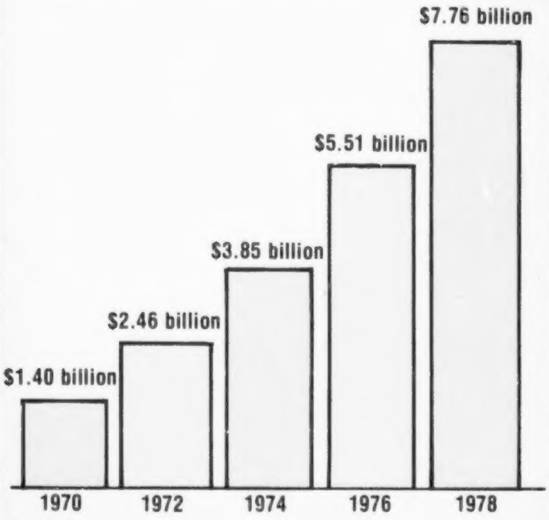
PERCENTAGE OF AGENCY BOOKINGS FROM COMMERCIAL ACCOUNTS 1970-1978

	Commercial Accounts %
Total Travel Agents 1978	40
Region	
East	41
Midwest	47
South	38
West	36
Size of Place	
Central city	41
Suburban	40
Town and rural	38
Gross Dollar Volume Of All Bookings	
Under $500,000	27
$500,000-$699,999	31
$700,000-$999,999	34
$1,000,000-$1,999,999	41
$2,000,000 and over	43
1976	37
1974	35
1972	32
1970	28

Source: Travel Weekly/*Louis Harris and Associates*

5-09

GROWTH OF AGENCY SALES FOR COMMERCIAL ACCOUNTS 1970-1978

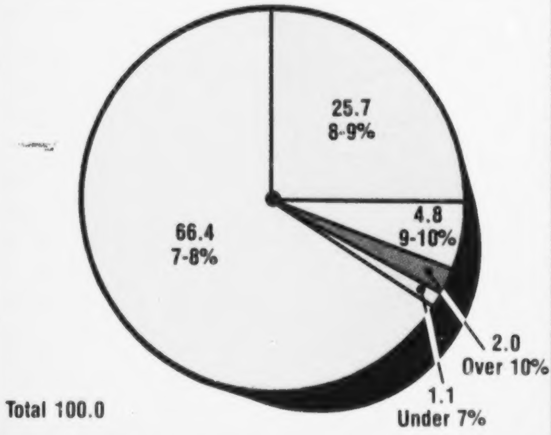


Source: Travel Weekly/*Louis Harris and Associates*

5-10

AVERAGE DOMESTIC COMMISSION LEVELS FOR TRAVEL AGENTS

% of Total Agencies/Average Commission Level

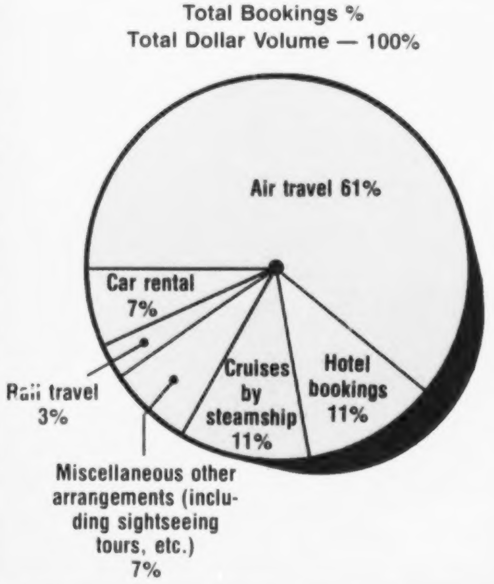


Source: Air Traffic Conference; Travel Weekly

5-11

TYPES OF ARRANGEMENTS MADE BY TRAVEL AGENCIES

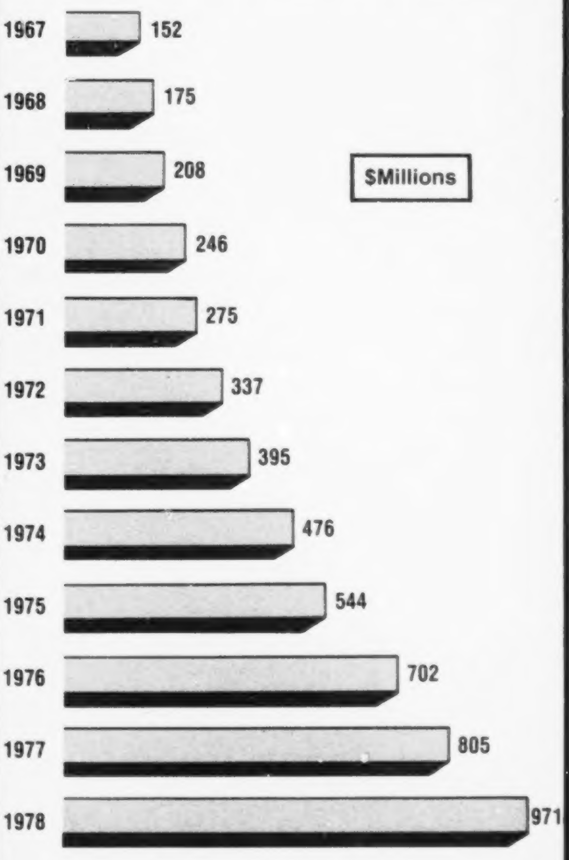
(By % of total dollar volume)



Source: Travel Weekly/*Louis Harris and Associates*

5-12

AGENT COMMISSIONS PAID BY U.S. SCHEDULED AIRLINES 1967-1978



Source: Air Transport Association of America

5-13

AGENT COMMISSIONS PAID BY U.S. SCHEDULED AIRLINES FIRST HALF 1979

Trunk Carriers

Carrier	1978	1979	% Change
American			
Domestic	$37,889,000	$51,490,000	35.9
Latin America	9,253,000	12,117,000	30.9
Total:	47,142,000	63,607,000	34.9
Braniff			
Domestic	12,134,738	17,651,199	45.5
Latin America	6,214,637	7,954,658	28.0
Atlantic	972,188	2,227,550	129.1
Total:	19,321,563	27,833,407	44.0
Continental			
Domestic	12,242,723	16,826,463	37.4
Pacific	556,000	3,157,996	468.0
Total:	12,798,723	19,984,459	56.1
Delta			
Domestic	35,600,832	41,855,122	17.6
Latin America	758,113	1,466,423	93.4
Atlantic	21,237	585,339	2656.2
Total:	36,380,182	43,906,884	20.7
Eastern			
Domestic	37,734,027	48,666,831	29.0
Latin America	12,194,221	10,685,335	−12.4
Total:	49,928,248	59,352,166	18.9
National			
Domestic	14,890,000	15,700,000	5.4
Atlantic	2,159,000	3,285,000	52.1
Latin America	—	560,000	—
Total:	17,049,000	19,545,000	14.6
Northwest			
Domestic	14,949,785	25,091,422	67.8
Pacific	13,606,449	19,134,946	40.6
Atlantic	—	460,477	—
Total:	28,556,234	44,686,845	56.5
Pan Am			
Domestic	4,526,000	4,797,000	6.0
Atlantic	27,278,000	30,681,000	12.5
Pacific	26,758,000	29,887,000	11.7
Latin America	12,761,000	14,038,000	10.0
Total:	71,323,000	79,403,000	11.3
TWA			
Domestic	29,921,382	39,842,434	33.2
Atlantic	23,871,502	25,891,394	8.9
Total:	53,792,884	65,823,828	22.4
United	63,816,108	49,568,062	−22.3
Western			
Domestic	18,156,622	22,352,668	23.1
Latin America	1,334,349	1,704,499	27.7
Total:	19,490,971	24,057,167	23.4

Breakdown of Trunk Total

DOMESTIC:	$281,861,216	$333,841,201	18.4
INTERNATIONAL:			
Atlantic	54,301,927	63,220,760	16.4
Pacific	40,920,449	52,179,942	27.5
Latin America	42,515,320	48,525,915	14.1
TOTAL:	$137,737,696	$163,926,617	19.0

Local Service Carriers

Carrier	1978	1979	% Change
Allegheny	$ 8,263,000	$11,824,000	43.1
Frontier	5,021,816	7,668,254	52.7
Hughes Airwest	5,997,013	8,209,057	36.9
North Central*	4,738,160	7,436,170	57.0
Ozark	3,347,630	4,360,165	30.2
Piedmont	2,037,668	3,793,333	86.2
Southern*	2,673,000	3,417,000	27.8
Texas Int'l	2,283,064	3,022,895	32.4
LOCAL TOTAL:	$34,361,351	$49,730,874	44.7
TRUNK TOTAL:	$419,598,913	$497,767,818	18.6
LOCAL TOTAL:	$34,361,351	$49,730,874	44.7
INDUSTRY TOTAL:	$453,960,264	$547,498,692	20.6

Note–1979 figures for United and 1978 figures for Northwest depressed due to strikes.

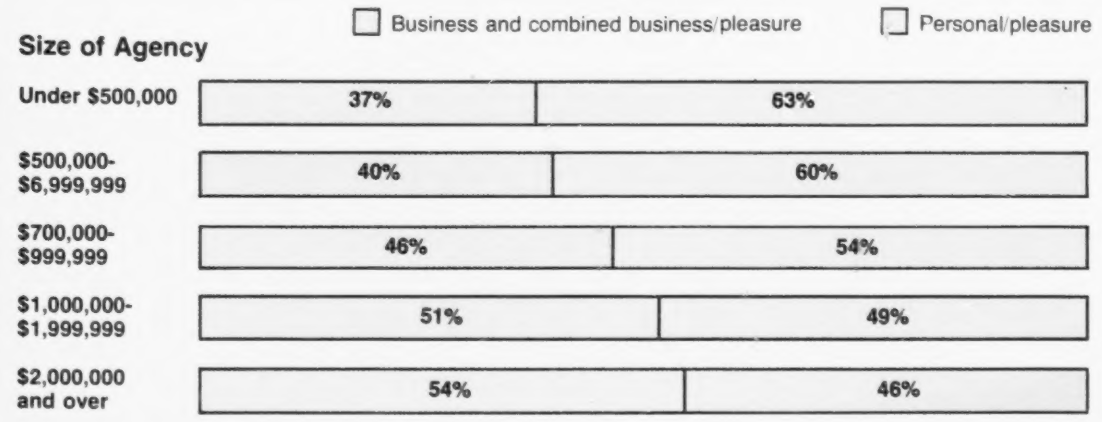
**North Central and Southern, which merged into Republic Airlines on July 1, 1979, reported first half 1979 figures independently.*

Source: Travel Weekly

5-14

SHARE OF BUSINESS VS. PLEASURE TRAVEL

(By % of Total Dollar Volume)



Source: Travel Weekly/*Louis Harris and Associates*

5-15

BUSINESS VS. PLEASURE TRAVEL BOOKINGS

Type of Travel Arrangement	1970	1972	1974	1976	1978
			% of Total Bookings		
Personal/pleasure	57	54	53	50	50
Business	29	33	34	39	39
Business/pleasure	14	13	13	11	11

Source: Travel Weekly/*Louis Harris and Associates*

CREDIT CARDS AND TRAVELER'S CHECKS

In the booming credit card industry, rivalry between the major credit card issuers remained at high pitch in 1979. Aggressive marketing efforts by the travel and entertainment card companies — American Express, Diners Club, Carte Blanche — were keyed to increasing card membership and charge card volume, chiefly at each other's expense. The major bank card companies, meanwhile, not only fought it out within their own areas but also reached into the leisure field to try to capture some of the big spending on travel and entertainment cards.

T&E Cards

The travel and entertainment market in the United States, as estimated by The Nilson Report, accounts for approximately 10% of all U.S. credit card spending — a total of $14 billion in 1978, projected to rise to $17 billion in 1980. Among the "prestige" and "fee" cards, American Express has long dominated the market. In 1979 it still maintained a very comfortable lead over the others, with worldwide card membership of 10.2 million. Its nearest competitor was the newly invigorated Diners Club with 3.8 million members, more than half of whom reside outside the U.S., in contrast to the 20% foreign base of American Express. To strengthen its domestic share, Diners offered a new "doublecard" which separates business and personal charges, continued to place heavy stress on the prestige value of a fee card, and tried to sign up a younger group that has used free bank cards but not yet tried a T&E card. Diners also hopes to see its domestic charge volume from foreign cardholders rise by 70% to 80% over 1978 as a result of increased travel to the U.S.

American Express increased its overseas card membership by 24% in 1978. Non-U.S. card membership is growing faster than any other member category. On the domestic front, it moved heavily into the retail market, signing up several major high-priced department stores and devoting large media expenditures to this fast growing area of card use, which currently provides about 10% of American Express's total billings.

Bank Cards

Additional competition for American Express came from the two major bank card systems — Visa and Master Charge — whose combined domestic gross volume had already shot forward by 40% in 1978, reaching a total of $44.5 billion. The bulk of bank card transactions, however, usually have involved small retail, hotel, and restaurant purchases — the average sale estimated in 1978 at $29 compared with $60 on a T&E card. Buoyed by their phenomenal expansion, they intend to win a share of the lucrative big-ticket travel and expense account business dominated by the T&E cards. Despite the fact that fees are charged for the leisure cards, as against free bank cards, the bank groups, nonetheless, must buck the prestige appeal of the T&E cards and their lack of fixed spending limits. The Nilson Report estimates that of the 8.1 million business and professional people who carry T&E cards, approximately 33% pay membership fees for multiple cards.

Bank Card Statistics

In the continuing intense rivalry between the two major bank cards, Visa forged ahead internationally. The Visa network reported their volume of worldwide transactions reached $29.1 billion in 1978, up 44.3% over 1977. Gross dollar volume of domestic transactions was 47.1% higher than 1977, amounting to $22.1 billion. For the six months ending June 30, 1979, Visa counted 78.1 million cardholders, up 17.5% over 1978, and worldwide gross dollar volume of $17.1 billion. Of this amount, $12.6 billion was domestic volume and U.S. cardholders stood at 58.3 million. By the end of 1979, domestic volume was expected to reach $26-$27 billion, and worldwide, $37-$38 billion. Cardholders will probably total 80 million by the end of 1979. (5-16, 5-17, 5-18)

Master Charge ran second in 1978 internationally, reporting worldwide volume of $27.7 billion and 68.9 million cardholders (Interbank cards). Domestically, however, they had a slight edge on Visa. In 1978, gross domestic dollar volume was $22.4 billion and U.S. cardholder total was 55.5 million. In the first half of 1979, domestic transactions amounted to $13.5 billion out of a worldwide total of $16.5 billion. Projections for the full year 1979 indicated a worldwide volume of $33.1 billion, of which $27.3 billion was domestic. The number of cardholders was expected to reach 75.3 million (Interbank cards). (5-16, 5-17, 5-18)

For the bank card companies, increased consumer use of their cards for large leisure expenditures is an important ticket to greater profitability. If they succeed in blurring the difference between travel and entertainment and bank cards, this could substantially alter their shares of total credit card volume.

Traveler's Checks

For many tourists, either traveling abroad or vacationing in the United States, widespread use of traveler's checks supplements use of credit cards as convenient alternatives to cash. Because few specific figures are available in the industry, estimates of worldwide sales of traveler's checks in 1979 range widely from $25 to $31 billion dollars. Volume of check sales in the North American market was estimated at $16 billion in 1978 by The Nilson Report. (5-21) Fueled by the boom in travel to the U.S., sales overseas have shot ahead rapidly, and the North American share of worldwide sales is expected to decrease in the next decade.

Since 1891, when it issued its first traveler's check, American Express has easily dominated the market. Current estimates put American Express in control of over 50% of the world business, followed by BankAmerica and First National City with approximately 12% each, and Thomas Cook and Barclays with smaller shares. (5-19)

Both Visa and Mastercharge view the lucrative and expanding traveler's check market as logical extensions of their credit card activities. Interbank Card Association, which licenses Master Charge cards, has been stalled in its issuance of checks by legal actions filed by Citicorp but hopes to start operations soon.

Visa thus became the first to offer a serious challenge to American Express. On November 1, it launched a new Visa traveler's check, to be available in U.S. dollars and other world currencies through 35 banks in this country and abroad. As part of the operation, Barclays Bank in London and Tokyo's Sumitomo Bank merged their traveler's check operations with Visa.

In a new marketing approach, Visa will license particular institutions to use the Visa name. The checks will be issued by the participating banks themselves and will bear their names as well. Travel agencies will also eventually sell Visa checks and they, too, will be able to personalize checks. Not only will commissions be available but some share of the float and customer fees may be negotiated.

Service fees for participating institutions are expected to be below those charged by American Express, and other fee inducements have been offered to encourage early entry of new financial organizations into the program. Visa is projecting sales of $2.7 billion by midyear 1981, a substantial portion of this coming from business taken over from Barclays.

Still another challenger is trying to reduce American Express's share of the market — a consortium of 56 European banks which is expected to purchase the traveler's check business of Thomas Cook Company and use it as a springboard for European control of the traveler's check market abroad. As the dollar has weakened, Europeans have been attracted to the dollar-denominated check, seeing increasing profits from exchange rate transactions and fluctuating currency.

At stake in the controversy are the billion dollar profits that come chiefly from the "float," which is the money that issuers hold between the moment of consumer purchase of the checks and the time they are cashed. Invested in high-yield, short term investments, the float is particularly lucrative in periods of high interest rates. While high costs and fraud losses cut into these profits this does not deter the new entrants into the field who see a large potential market still to be tapped.

5-16

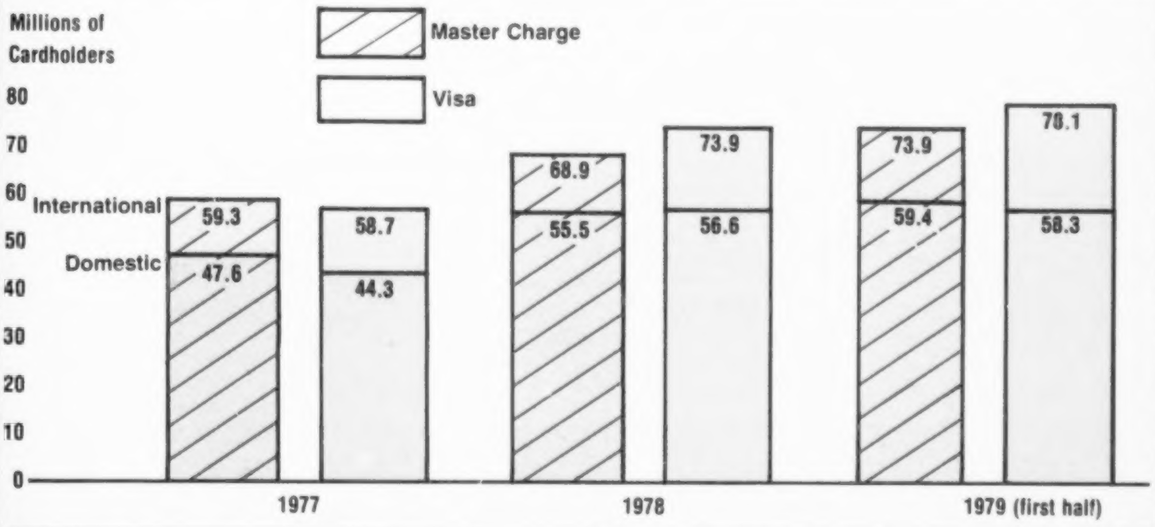
DOMESTIC BANK CARD STATISTICS

	Master Charge			Visa		
	Year-end 1978	**Year-end 1977**	**% Change**	**Year-end 1978**	**Year-end 1977**	**% Change**
Participating Financial Institutions	11,061	9,578	+15.5	10,834	9,707	+11.6
Number of Offices	31,180	27,941	+11.6	36,695	31,573	+16.2
Merchant Outlets	1,974,097	1,802,014	+ 9.5	1,972,500	1,661,700	+18.7
Cardholders	55,460,776	47,652,049	+16.4	56,583,700	44,320,000	+27.7
Active Accounts	23,702,051	19,636,118	+20.7	23,143,573	18,100,973	+27.9
Gross Dollar Volume	22,385,584,245	16,719,667,680	+33.9	22,097,813,000	15,023,976,000	+47.1
Outstandings	10,654,212,132	7,985,858,511	+33.4	10,347,365,000	7,225,450,000	+43.2

Source: Compiled by American Bankers Association, Bank Card Division, based on figures from Interbank Card Association and Visa International

5-17

NUMBER OF BANK CARDHOLDERS WORLDWIDE AND DOMESTIC



Source: Interbank Card Association and Visa, U.S.A. and International

5-18

WORLDWIDE VOLUME OF BUSINESS* VISA AND MASTERCHARGE

(Billions of Dollars)

	1977	1978	1979** (first half)
Mastercharge	20.4	27.7	16.5
Visa	20.1	29.1	17.1

*Total of retail sales and cash advances, includes domestic U.S. figures.
**Six months ending June 30, 1979.
Source: Interbank Card Association and Visa International

5-19

HOW THE MAJOR ISSUERS DIVIDE THE TRAVELER'S CHECK MARKET

(Percent of Total Check Sales)

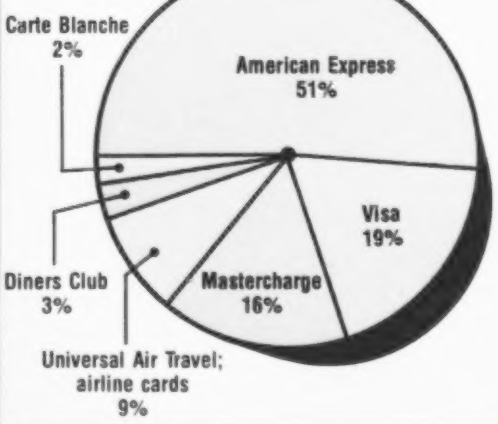
International	**1963**	**1968**	**1973**	**1978**
American Express	66%	63%	58%	52%
BankAmerica	5	7	9	12
First National City	3	5	8	12
Barclays	2	3	4	5
Cook	5	6	6	5
Other*	19	16	15	14
North America				
American Express	78	76	73	64
BankAmerica	8	9	11	15
First National City	5	6	8	14
Barclays	1	2	3	4
Cook	7	6	4	2
Other*	1	1	1	1

*Includes Republic Bank of Dallas and 63 overseas companies.
Source: The Nilson Report

5-20

AIR CREDIT SALES BY TRAVEL AGENTS

(Card percent shares)



Source: Data compiled by Travel Weekly

5-21

NORTH AMERICAN TRAVELER'S CHECK MARKET 1978

	No. of Individual Check Sales (Millions of Items)	Face Value of Check Sales ($Billions)	Float: Outstanding Value of Uncashed Checks ($Billions)
American Express	301	$10.3	$1.34
BankAmerica	70	2.4	.32
First National City	66	2.2	.29
Barclays	19	.6	.09
Cook	9	.3	.04
Other	5	.2	.02
Totals	**470**	**$16.0**	**$2.10**

Source: The Nilson Report

5-22

CREDIT CARD PURCHASING POWER

(Total Credit Available — Billions of Dollars)

	Retail	Bank	Oil	T&E	Other	Total
1977	$149.0	$ 45.6	$21.0	$ 6.4	$17.0	$239.0
1978	156.0	54.4	23.4	8.1	20.4	262.3
1980*	202.2	63.9	30.6	12.1	25.5	334.3
1985*	252.2	175.4	49.0	14.4	44.0	535.0

*Projected.
Source: The Nilson Report

SELECTED SPECIAL MARKETS

MEETINGS AND CONVENTIONS

Studies conducted by Travel Pulse Research Service identify 20% of total business travelers as meetings and convention attendees. Demographically, most of those attending meetings and conventions are men, as are most business travelers. However, 25% of meetings attendees are women, whereas less than 20% of all business travelers are female. (6-03)

Meetings participants are generally middle-aged, although they are slightly older than total business travelers, and the overwhelming majority of them are married. In terms of education, attendees of meetings and conventions are more likely to have attended college and graduate school than all business travelers. Their incomes — roughly on par with those of other business travelers — do not fall into high or low extremes, and their occupations are less often white collar.

A comparison between the basic trip statistics of total business travelers and meetings attendees reveals anticipated differences. Whereas total business travelers tend to take shorter (1-3 day) trips, those attending meetings and conventions often take longer trips. More than twice as many meetings and convention attendees take 6-10 day trips as do total business travelers. (6-04)

In addition, meetings and convention attendees are more inclined to travel with business associates. In terms of transportation, they are more likely to utilize air travel and less likely to rent a car. They also prefer hotels to motels, while all business travelers choose motels more often. And although most business travelers pursue non-business activities when on business trips, this occurs more frequently among meetings and convention participants.

Size of the Market

The first comprehensive study of the entire U.S. meetings field was done in 1974 by Erdos & Morgan, a well-known and highly respected research firm in New York. The examination was commissioned by *Meetings & Conventions* magazine. Using a random sampling of the publication's corporate and association readers, it was designed to ascertain how much money was spent for meetings annually, what kinds of meetings were held, what types of facilities were used, the characteristics of different kinds of meetings, and other information to provide some indication of the market's size, scope, and trends.

Every two years a similar survey is made (now done by the research arm of Ziff-Davis Publishing Company which produces *Meetings & Conventions*). The figures following — based on 70% of the total meetings market — are from the third such report.

The latest statistics show that the number of corporate meetings, off-premises association meetings, and association conventions held by U.S.-based organizations how total 757,500 annually, 18,000 more meetings than were documented two years ago. Corporate meetings increased from 602,000 to 614,000, other off-premises association meetings increased from 126,000 to 133,200, and association major conventions fell off slightly from 11,500 to 10,300. (6-01)

Expenditures for these meetings totaled an estimated $11.8 billion, a rise of approximately 10% over the previous figures. Meetings in the corporate area amounted to $3.963 billion, while meetings in the association area (including delegate expenditures) totaled $7.804 billion. Considering that these figures represent approximately 70% of the market, the entire meetings industry currently spends about $15 billion annually.

The Corporate Meetings Market

Most recent figures reveal that 52% of the $3.963 billion corporate meetings expenditures, or $2.061 billion, went for hotels, food, and associated expenses; 29% or $1.149 billion was spent on air transportation; and 19% or $753 million was devoted to miscellaneous costs. (6-02)

Corporate meetings can be divided into eight categories plus an "other miscellaneous" type. These, in order of frequency, are: training seminars, management meetings, regional sales meetings, new product introductions, professional/technical meetings, national sales meetings, incentive trips, other miscellaneous, and stockholder meetings. The number of these meetings held annually varied from 170,000 training seminars to 15,000 stockholder meetings. The average number of meetings run by each planner surveyed totaled 14. (6-05)

Attendance at all these meetings came to 39,212,000, although the meetings held most often did not necessarily draw the largest attendance. Management meetings had the highest overall attendance (6,739,000), with regional sales meetings next (6,599,000), and stockholder meetings at the bottom of the ladder (1,503,000). The average attendance at these meetings came to 64. (6-07)

There are many types of facilities that are geared to holding meetings, and planners tend to select properties based on the needs of each meeting. The most popular meeting facilities are midtown hotels or motor inns and resort hotels. 59% of planners held meetings in each of these, with resort hotels showing a 10% gain in usage since last surveyed. Other popular kinds of properties were suburban hotels or motor inns (52%) and airport hotels or motor inns (38%). (6-06)

On the matter of destination, the most important features of a site for all meetings, except incentive-related trips, were the availability of facilities suitable for a meeting and the ease of transporting attendees to and from the location. Prerequisite features of destinations for incentive trips, however, were climate, availability of recreation facilities, and glamorous image. (6-08)

In terms of accommodations, meeting planners are guided by very strict criteria. According to the *Meetings & Conventions* survey, the most important considerations were the quality of food service and the number, size, and caliber of meeting rooms. The least important aspect of a facility was its newness. (6-12)

The Association Meetings Market

There are several basic differences between the association and corporate meetings markets which dictate that they be surveyed and their statistics reported separately. One difference is that attendance at association meetings is voluntary. Another is that association meetings divide naturally into two categories — big conventions, usually held annually, and a number of smaller off-premises meetings. A third difference is that the association convention tends to be the largest and most consistently held in the entire meetings area.

A total of 143,500 association meetings were held in the 12 months covered by the *Meetings & Conventions* report, with a total attendance of 21,888,000. This breaks down into 10,300 major association conventions, attended by 7,936,000 people, and 133,200 other association meetings, attended by 13,952,000 people. (6-09)

The average association spent $25,820 on the big annual event and $18,910 on all its other meetings. Altogether, associations spent $265 million on their major conventions and $138.6 million on their other off-premises meetings for a total of $404 million in expenditures. (6-10)

It is important to note, however, that the vast bulk of expenditures for such meetings came from individual delegates. Unlike corporate meetings — where the organization pays for transportation, hotels, food, and related costs — individual attendees pay their own way at association meetings. The delegate expenditures at major conventions came to $3.536 billion, about the same amount as was spent two years ago. But delegate expenditures for other off-premises association meetings were almost 25% over previous figures, increasing from $2.9 billion to $3.864 billion. Altogether, the total delegate expenditures came to $7.4 billion. (6-11)

Though the industry typically thinks of the major association convention occurring on an annual basis, this is not always the case. 75% of them do, but 15% take place twice a year and 10% take place even more often or every other year. (6-14) The months in which such events are held have remained relatively stable over the years with March, April, May, September, October, and November accounting for 63% of all big conventions. (6-13)

Not surprisingly, certain areas of the country were favored by association planners for their major conventions. The South Atlantic, from Delaware to Florida, was the top choice with 30%

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favoring the region. Two other popular areas were East North Central (Ohio, Michigan, Indiana, Illinois, and Wisconsin) and West South Central (Louisiana, Arkansas, Oklahoma, and Texas), both chosen by 13% of planners. Least popular was New England, chosen by only 5% of meeting arrangers. Although not a part of the most favored regions, California was selected as a meeting site by almost twice as many planners (11%) as any other individual state.

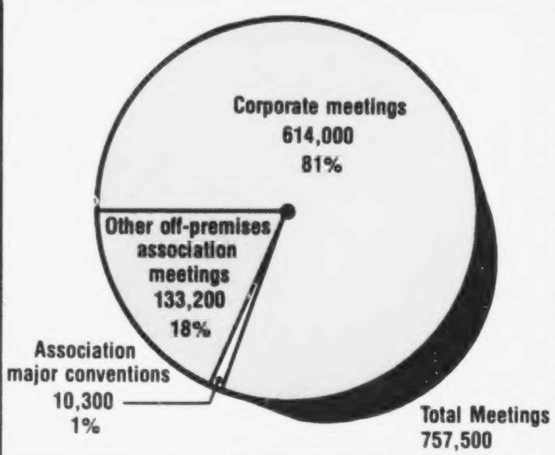
The facilities where association planners held both major conventions and off-premises meetings differed in three instances. While 61% of the planners chose midtown hotels and about 35% chose resort hotels for conventions as well as other meetings, only 19% of planners used suburban properties for major conventions, as compared to 52% who booked them for off-premises meetings. Similarly, 47% chose airport hotels for meetings other than the major convention, and university-owned conference centers were booked by over 20% of those planning off-premises meetings. The use of either of these properties for conventions was negligible. (6-15)

In Conclusion

Estimates on the size and character of the meetings field in the United States have traditionally been full of speculation and deficient in facts. The figures published here represent the most accurate account of the meetings industry today, although the absolute magnitude of the market is difficult to determine in hard and fast numbers. Nevertheless, it is clearly a growing market, one which will continue to constitute a major source of income for destinations, carriers, accommodations, and related industries.

6-01

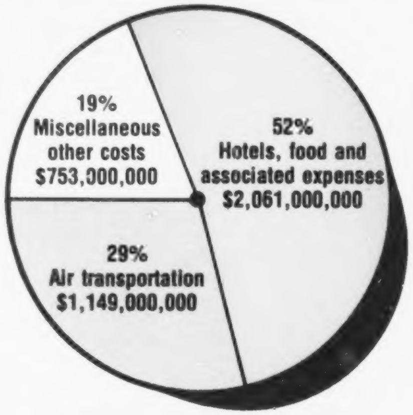
NUMBER OF MEETINGS HELD ANNUALLY



Source: Meetings & Conventions

6-02

DOLLAR EXPENDITURES ON CORPORATE MEETINGS



Total Expenditures $3,963,000,000

Source: Meetings & Conventions

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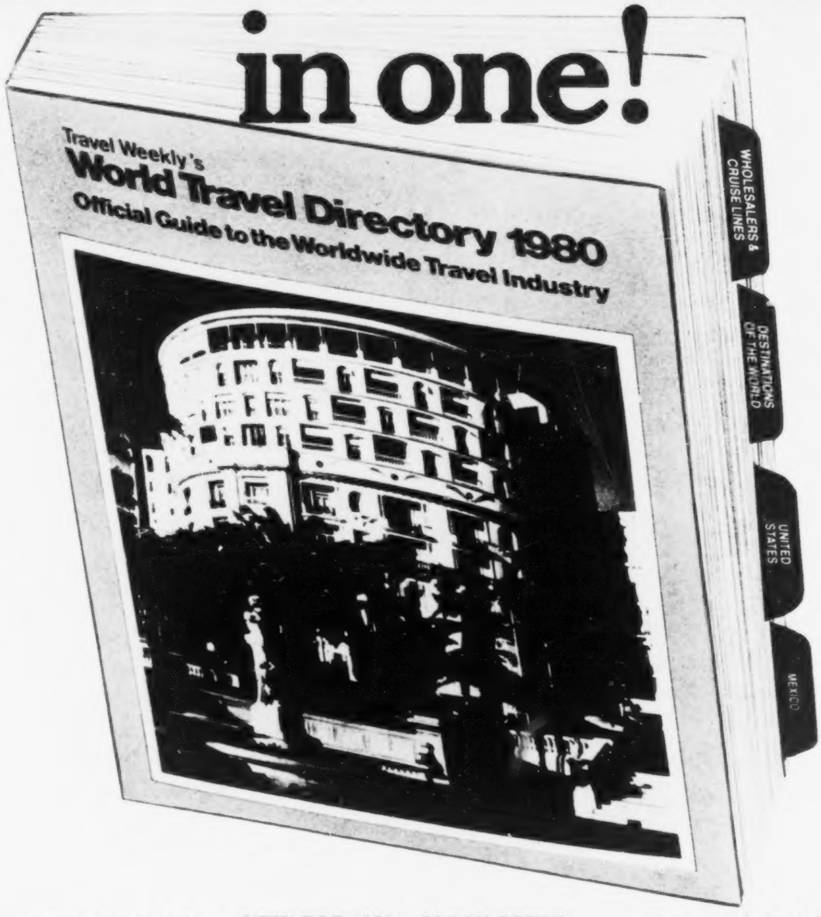
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6-03

MEETING AND CONVENTION ATTENDEES: DEMOGRAPHICS

	Total Domestic Business Travelers 100%	Meeting and Convention Attendees 100%
Sex		
Male	81	75
Female	19	25
Age		
18-24 years	9	9
25-34 years	37	31
35-44 years	22	19
45-54 years	22	29
55 or more years	10	12
Marital Status		
Married	73	88
Single/never married	11	7
Living together	3	—
Divorced/separated	11	3
Widowed	2	2
Education		
Did not graduate from high school	5	4
Graduated from high school/technical school	27	20
Attended college	18	24
Graduated from college	27	19
Attended graduate/professional school	22	34
Occupation		
White collar	77	70
Professional/executive	38	43
Manager/proprietor	19	13
White collar/clerical	20	14
Blue collar	18	21
Other	5	9
2 + earner households	52	54
Total Annual Household Income		
Under $15,000	19	14
$15,000-$24,999	34	38
$25,000-$49,999	39	44
$50,000 or more	8	4

Source: Travel Pulse Research Service 1977-78

6-04

MEETING AND CONVENTION TRAVEL STATISTICS

	Total Domestic Business Travelers (%)	Meeting and Convention Attendees (%)
Purpose of Trip		
To attend company meeting	27	—
To visit clients	20	—
To attend non-company professional or business meeting	19	100
To visit other company office	11	—
Other business purpose	23	—
Duration of Trip		
1-3 days	54	35
4-5 days	24	32
6-10 days	15	32
11 or more days	7	1
Composition of Travel Party*		
Traveled alone	51	33
Business associate(s)	28	38
Spouse	17	21
Friend(s)	5	8
Relative(s)	2	4
Other	2	2
Methods of Transportation*		
Airline	62	72
Private car	40	35
Rented car	25	16
Bus/train	5	10
Other	13	10
Type of Accommodations*		
Hotel	40	56
Motel	51	35
Other	14	13
Pursued non-business activities	63	71

**Includes multiple mentions.*
Source: Travel Pulse Research Service 1977-78

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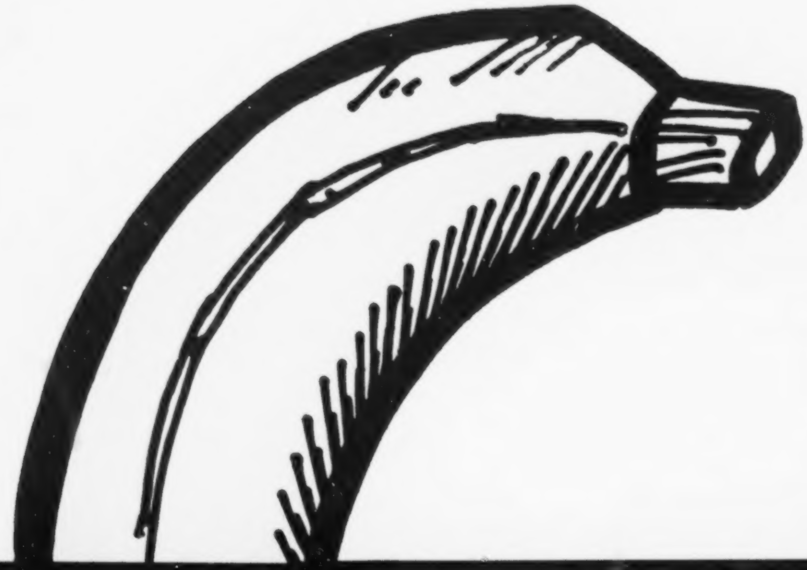


6-05

NUMBER AND TYPES OF CORPORATE MEETINGS

Types of meetings*	Number held**	Percentage of total meetings
Training seminars	170,000	28
Management meetings	162,000	26
Regional sales meetings	86,000	14
New product introductions	56,000	9
Professional/technical meetings	54,000	9
National sales meetings	29,000	5
Incentive trips	23,000	4
Other miscellaneous	18,000	3
Stockholder meetings	15,000	2
Total	614,000	100
Average meetings per planner:		14

**Does not include trade show participation.*
***Numbers are rounded to nearest thousand.*
Source: Meetings & Conventions

6-06

FACILITIES USED FOR CORPORATE MEETINGS

Types of facilities at which off-premises meetings were held by corporate meeting planners	Percentage of corporate meeting planners
Midtown hotel or motor inn	59
Suburban hotel or motor inn	52
Resort hotel	59
Airport hotel or motor inn	38
Privately-owned conference center	15
University-owned conference center	8
Condominium resort	14
Cruise ship	4

Source: Meetings & Conventions

6-07

ATTENDANCE AT CORPORATE MEETINGS

Types of Meetings*	Attendance**	Percentage of Total Attendance
Management Meetings	6,739,000	17
Regional Sales Meetings	6,599,000	17
New Product Introductions	5,614,000	14
National Sales Meetings	5,185,000	13
Training Seminars	4,873,000	13
Incentive Trips	3,932,000	10
Professional/Technical Meetings	2,712,000	7
Other Meetings	2,054,000	5
Stockholder Meetings	1,503,000	4
Total	39,212,000	100%
Average attendance per meeting: 64		

**Does not include trade shows*
***Numbers are rounded to nearest thousand*
Source: Meetings & Conventions

6-08

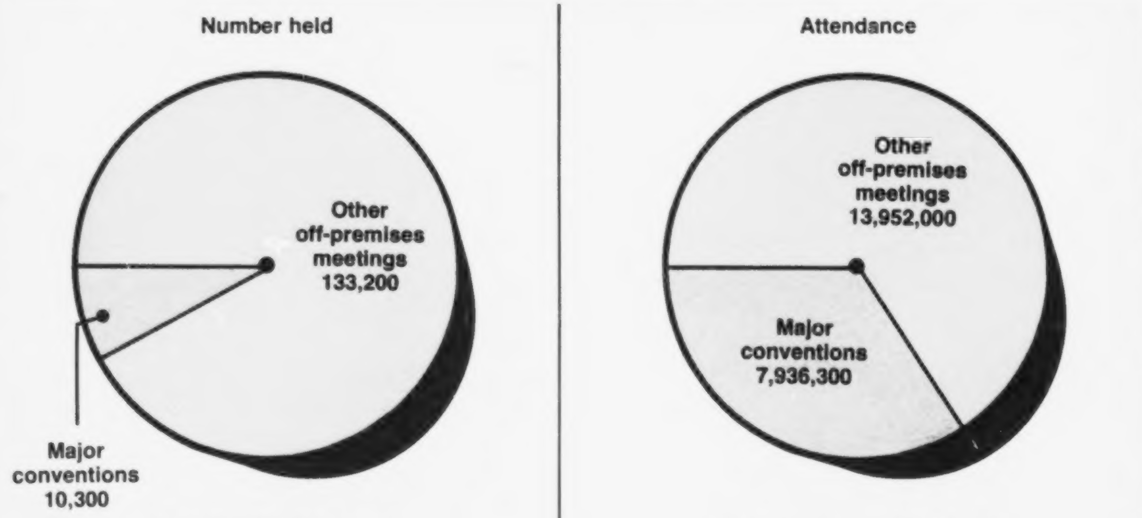
LOCATION OF CORPORATE MEETINGS

Factors rated very important in the selection of a destination for corporate off-premises meetings	Corporate meeting planners %	Incentive trip planners %
Availability of hotels or other facilities suitable for meeting	70	68
Ease of transporting attendees to and from location	62	40
Distance from individual attendees	42	25
Transportation costs	33	32
Climate	32	78
Availability of recreational facilities, such as golf, tennis, swimming, etc.	23	75
Glamorous or popular image of location	8	73
Sightseeing, cultural, other extra curricular activities	9	68

Source: Meetings & Conventions

6-09

NUMBER OF ASSOCIATION MEETINGS



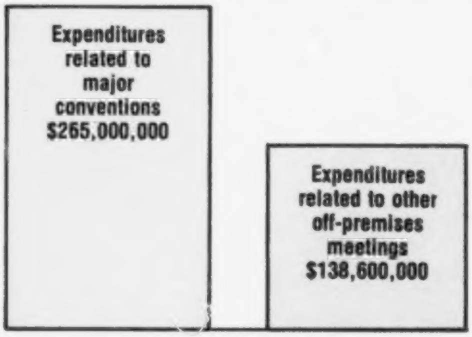
Total meetings 143,500

Total attendance 21,888,000

Source: Meetings & Conventions

6-10

DOLLAR EXPENDITURES ON ASSOCIATION MEETINGS



Total expenditures by associations: $404,000,000

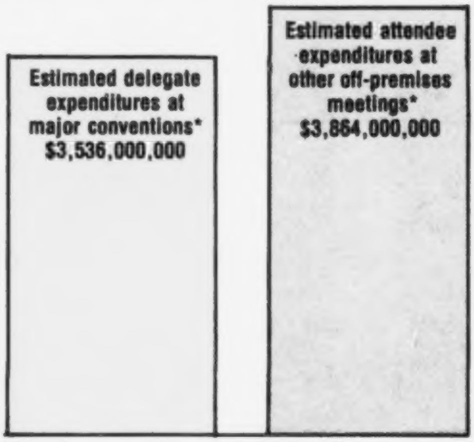
Average association expenditures per major convention: $25,820

Average expenditure on off-premises meetings during the year per associations holding such meetings: $18,910

Source: Meetings & Conventions

6-11

DELEGATE EXPENDITURES AT ASSOCIATION MEETINGS



Total expenditures by delegates/attendees: $7,400,000,000

**Information on delegate expenditures was obtained from the association planner and is his/her best estimate of the average expended by delegates.*

Source: Meetings & Conventions

6-12

SELECTION OF FACILITIES FOR CORPORATE MEETINGS

Factors considered very important in in the selection of a hotel or other facility for corporate off-premises meetings	Corporate meeting planners %
Quality of food service	74
Number, size and caliber of meeting rooms	70
Number, size and caliber of sleeping rooms	49
Efficiency of billing procedures	48
Previous experience in dealing with facility and its staff	40
Efficiency of check-in/check-out procedures	45
Assignment of one staff person to handle all aspects of your meeting	41
Availability of meeting support services and equipment, such as audio-visual equipment	45
Proximity to airport	22
Convenience to other modes of transportation	24
Provision of special meeting services, such as pre-registration, special equipment, etc.	22
On-site recreational facilities, such as golf, swimming pool and tennis courts	24
Availability of exhibit space	16
Number, size and caliber of suites	14
Proximity to shopping, restaurants, off-site entertainment	12
Newness of facility	6

Source: Meetings & Conventions

6-14

FREQUENCY OF MAJOR CONVENTIONS

	Associations %
Annually	75
Twice a year	15
More than twice a year	3
Every other year	4
Other	1
No major convention	2
Total associations	100%

Source: Meetings & Conventions

6-13

WHEN CONVENTIONS ARE HELD

Month in which most recent major convention was held	Associations %
January	4
February	7
March	9
April	9
May	16
June	12
July	7
August	6
September	8
October	13
November	8
December	1
Total associations	100%

Source: Meetings & Conventions

6-15

FACILITIES USED FOR ASSOCIATION MEETINGS

	Association meeting planners	
Type of facilities used	Used for major conventions %	Used for other off-premises meetings %
Midtown hotel or motor inn	61	61
Resort hotel	36	35
Suburban hotel or motor inn	19	52
Airport hotel or motor inn	7	47
Privately-owned conference center	5	11
University-owned conference center	5	22
Condominium resort	5	8
Cruise ship	1	2
Other types of facilities	3	7

Source: Meetings & Conventions

RESORT TIMESHARING

Resort timesharing is a prepaid vacation plan offering long-term occupancy — up to 30 years — in a hotel, motel, or condominium unit in which accommodations are available in weekly increments or "intervals." Over the past several years, as prices for vacation accommodations have skyrocketed, the concept of timesharing has gained popularity among travelers seeking economical alternatives to costly resort hotels.

Although timesharing made its debut in Europe during the 1960's, it did not appear in the United States travel marketplace until around 1970. Even then, the idea of timesharing or "interval ownership" struggled to get a foothold, and it was not until the mid-1970's that it began to take off.

Since 1975, sales of timeshare units in the United States have virtually doubled each year, total volume reaching approximately $300 million in 1978, with projected sales for 1979 estimated at $650 million. (6-16) According to Helmsley-Spear's Hospitality Division — which has published much of the current research available on the subject — the $650 million figure represents the single largest equity investment in the resort industry during 1979.

Latest statistics on the timesharing market are based on studies conducted by Carl Burlingame of the CHB Company in mid-1978. At that time, there were some 315 locations in the United States, Mexico, the Caribbean, and Europe — 200 in the U.S. alone. (6-18) Locations are expected to number 450 by the end of 1979. Since the concept's beginning, there have been an estimated 200,000 timeshare purchases in this country. (6-16)

Timeshare Costs

The attraction of resort timesharing lies in the fact that it makes comfortable vacation facilities affordable to vast numbers of middle-income people. For example, an average U.S. timeshare unit costs about $4,000 — depending upon the season during which it will be occupied — and offers the purchaser use of the facility for one week per year for 20 to 30 years, and sometimes indefinitely. (6-19) In addition to the one-time fee, the buyer pays annual maintenance equal to the pro rata cost of providing his accommodations, usually about $100 per week. (6-19)

There are two major types of timesharing plans available to prospective buyers. The first, known as a fee-type program, enables the purchaser to occupy the property for the same time period each year. He can also sell or rent the facility and obtain the same tax benefits as he would from owning any other type of real estate. Similarly, the "right to use" program offers an exclusive right to occupy the resort unit for a specified amount of time annually, but there are no ownership rights attached, the resort developer retaining title to all units in the property.

Most timeshare units in this country are condominiums as opposed to hotels and motels. (6-20) This type of property makes a greater variety of facilities available in terms of unit size, the best-selling unit represented by a two-bedroom apartment. (6-20) The "typical" U.S. timeshare condominium has at least 50 units and is part of a planned recreational community. It offers such amenities as golf, tennis, swimming, horseback riding, and skiing, in addition to sizeable numbers of restaurants and stores. (6-17)

Timeshare Buyers

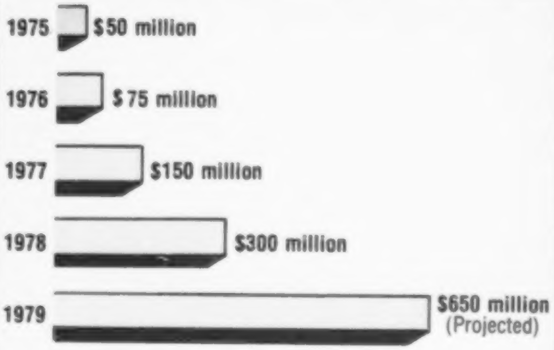
But regardless of the type of property considered by prospective timeshare purchasers, the primary motivations for buying are to save money and to reap the rewards of guaranteed reservations at fundamentally high-quality resort facilities. The buyer of a timeshare unit is less concerned with investment potential. He simply wants the opportunity to enjoy an inflation-free holiday year after year. Moreover, he often wants to take advantage of timeshare exchange programs — offered by such firms as Resort Condominiums International and Interval International — which allow the swapping of facilities or time slots with other timeshare participants.

A study undertaken by Richard L. Ragatz and Carl Burlingame in 1978 revealed that 30% of the families in the United States can be considered as the potential market for resort timesharing, a far greater share than the estimated 2 to 3% of those who can afford a second home or condominium. The study — based on interviews with members of Resort Condominiums International — also produced a timeshare buyer profile showing the greatest number of buyers in the 25-54 age category with above-average levels of education and incomes between $15,000 and $50,000 per year.

According to the profile, most resort timeshare purchasers are married and have at least one child at home. 86.6% of them own single family homes, and 88% remain satisfied with their investment in timesharing. Most significantly, however, the study lends credence to the assumption that the opportunity to save money ranks high among the motivations for purchasing timeshare facilities. In these inflationary times, there is little doubt that the concept is here to stay and that the market can expect continued growth in the years to come.

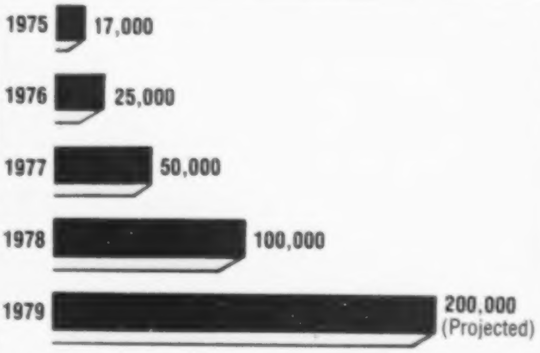
6-16

ESTIMATED TOTAL TIMESHARE SALES (U.S.)



Source: The CHB Company, Resort Timesharing Today; Helmsley-Spear, Inc.

ESTIMATED NUMBER OF TIMESHARE PURCHASES (U.S.)



Source: The CHB Company, Resort Timesharing Today; Helmsley-Spear, Inc.

6-17

PROFILE: "TYPICAL" U.S. TIMESHARE LOCATION*

- On the market about 12 months.
- 1978 sales expected to be in $2 million range.
- A condominium facility planned for more than 50 units with extensive recreational amenities nearby.
- A fee-type program, offering a fixed numbered week interval in a 1,017 sq.ft. unit at an average price of $3,152. Annual maintenance fee: $101 per week.
- Purchase financing offered at about 15% down, up to five years, at an 11% interest rate (APR).
- Offering a trading opportunity through one of two independent exchange services, Interval International or Resort Condominiums International, usually the exchange service provided by RCI.

**Based on statistical data gathered in mid-1978.*
Source: The CHB Company, Resort Timesharing Today

6-18

NUMBER OF TIMESHARE LOCATIONS*

Country/Region	Number of Locations
United States	200
Mexico	50
Caribbean/South America	25
Europe	40

**Based on data compiled mid-1978. An estimated 450 locations will exist by end 1979.*
Source: The CHB Company, Resort Timesharing Today; Helmsley-Spear, Inc.

6-19

TIMESHARE PURCHASE PRICES (U.S.)

Type of Program	Average square ft.	Average Seasonal Interval Price (Average price per unit week) Low	Intermediate	High
Fee	1,017	$2,053	$3,152	$4,777
Right-to-Use	690	1,749	2,462	3,703
All	893	1,955	2,891	4,430

Source: The CHB Company, Resort Timesharing Today

TIMESHARE MAINTENANCE AND ANNUAL FEES (U.S.)

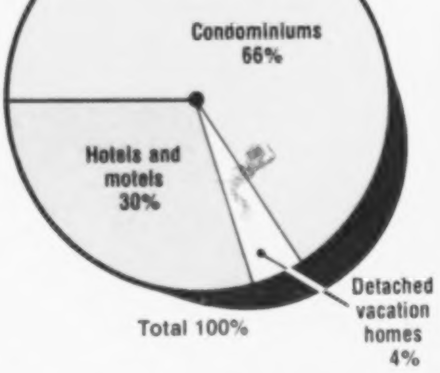
Unit Size Category	Fee Programs (Average annual fee per unit week)	Right-to-Use Programs
Under 600 square ft.	$ 75	$ 73
600-899 square ft.	99	83
900-1,199 square ft.	118	111
1,200 square ft. plus	125	n.a.

Source: The CHB Company, Resort Timesharing Today

6-20

U.S. TIMESHARE FACILITIES

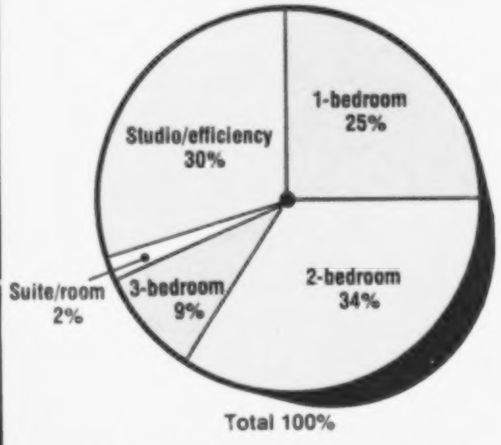
Type of facility/Percent of locations



Source: *The CHB Company, Resort Timesharing Today*

BEST-SELLING TIMESHARE UNIT TYPES (U.S.)

Type of unit/Percent of locations



Source: *The CHB Company, Resort Timesharing Today*

6-21

RESORT TIMESHARING BUYER PROFILE

Buyer's Age:	
Under 25	1.4%
25-34	22.8%
35-44	23.9%
45-54	31.6%
55-64	17.1%
Over 65	3.2%
Buyer's Education:	
Less Than High School Degree	3.2%
High School Degree	22.5%
Some College	24.0%
College Graduate	22.3%
Some Graduate Work	6.9%
Graduate Degree	12.5%
Ph.D.	8.6%
Buyer's Annual Income:	
Under $15,000	7.7%
$15,000-$30,000	53.9%
$30,000-$50,000	29.1%
Over $50,000	9.3%
(Average Household Income of Timeshare Consumers — Between $25,000-$30,000)	
Buyer's Marital Status:	
Single	10.4%
Married Couples	89.6%
Married With Children at Home	58.4%
Married Without Children	41.6%
Number of Children in Buyer's Household:	
Two or One at Home	66.8%
Three or More at Home	33.2%
Buyer's Type of Primary Residence:	
Single-Family Home (Detached)	86.6%
Apartment	5.8%
Townhouse	5.0%
Condominium	2.6%
Tenure of Buyer's Primary Home:	
Own	90.7%
Rent	9.3%
Buyer's Motivation for Purchasing Timeshare Unit: (Can Answer Several)	
Exchange Opportunity	75.3%
Save Money	63.0%
Recreational Facilities	38.6%
Investment Potential	38.0%
Certainty of Reservation	31.0%
Liked Unit	30.0%
Own at Low Price	27.1%
Number of Weeks Buyer Purchased:	
One	48.2%
Two	40.6%
Three or More	11.2%
Degree of Satisfaction With Timeshare Purchase:	
Very Satisfied	40.7%
Satisfied	44.1%
So-so	10.8%
Dissatisfied	2.4%
Very Dissatisfied	2.0%
Future Plans in Timeshare Market:	
Do not plan to buy additional Timeshares	46.4%
Purchase additional time at another resort	25.4%
Purchase additional time at present resort	22.2%
Attempt to sell present & not buy another	13.9%

Source: *Richard L. Ragatz and Carl Burlingame, "Timeshare Purchasers: Who They Are, Why They Buy," The CHB Company.*

CASINO GAMBLING

Casino gambling represents a segment of the travel market that is expected not only to weather the current recession but to enjoy boom times during the coming decade. In fact, nationwide casino revenues for 1979 alone should reach $2.5 billion on bettings of $25 billion. Although only two states — Nevada and New Jersey — offer legalized gambling today, their statistical record of growth makes it clear that more states will be joining them to take advantage of the public's desire to wager money while vacationing.

Las Vegas

Between 1970 and 1978, Las Vegas visitor volume increased by almost 65%, while the city's inventory of room accommodations increased by some 68% during the same period. (6-23) In the first half of 1979, the number of people visiting Las Vegas continued to climb. 5,774,615 travelers chose the Nevada gambling site as a vacation destination during the first six months of 1979, a 4% increase over 1978. (6-25) This occurred despite the United Airlines strike which substantially reduced available airline service to the area in April, May, and part of June.

Las Vegas has also been able to claim an average hotel occupancy rate of 84% through the 1970s. In 1978, occupancy levels for both hotels and motels averaged 82% as compared with a national figure of 69%. (6-26) Data for the first quarter of 1979 reveals that the total number of rooms occupied ran at 85%, 2.4 points above the same period in 1977 and 14.9 points over the national level. (6-27) The city has attributed this sustained growth to continued increases in convention volume, air and automobile traffic, and room inventory.

A wave of hotel construction on the Las Vegas strip added 4,000 more rooms to the city's hotel and motel accommodations in 1979. While gas shortages in the early summer created a slowdown in automobile arrivals, air arrivals made up the difference. Las Vegas' McCarran Airport is currently served by 14 scheduled carriers, and a $220 million expansion program to be completed in 1981 will enable the airport to handle 6.5 million passengers annually.

In terms of revenue, tourists and conventioneers spent $3,279,205,986 in the Las Vegas area during 1978, a 12.2% increase over 1977. (6-24) Since 1970, the dollar revenue generated by visitors has jumped 177.3% and totaled over $18.5 billion by the end of 1978. It is estimated that conventioneers spend about $75 per day in Las Vegas, while tourists spend $50. These amounts exclude money devoted to gaming.

Gambling alone accounted for $1.2 billion in revenue during 1978, 21.7% more than was earned in 1977. (6-30) $6.4 billion in gross winnings were recorded by the casinos in Clark County between 1970 and the end of 1978, which translates into an average increase of 15.6% per year over the time period. Statistics for 1979 show an 18.5% jump in gaming revenues for the first quarter and an 11.1% rise for the second. (6-22)

Reno/Lake Tahoe

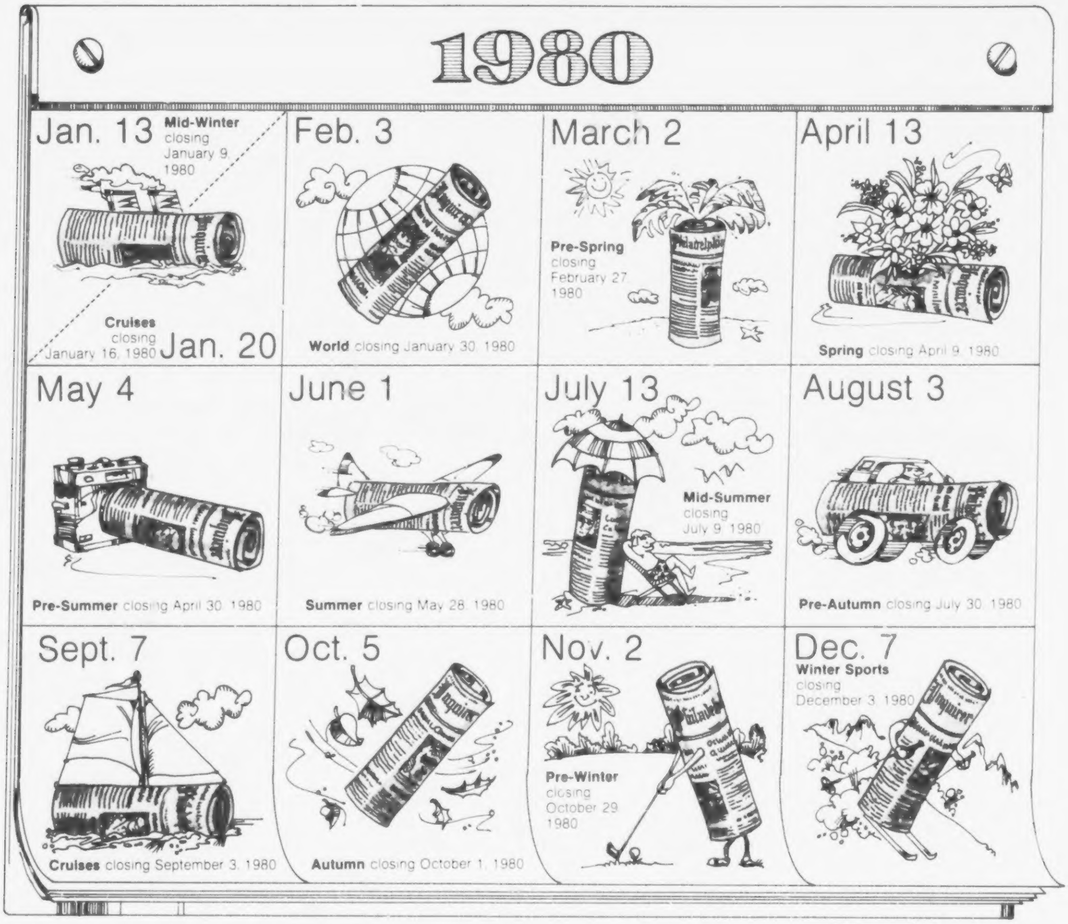
Like its partner to the south, the Reno/Lake Tahoe area of Nevada has experienced continued growth in tourism due to the lure of casino gambling. New and expanded hotel and casino properties, as well as increased air service, contributed to a year of record growth during 1978. Reno air arrivals alone rose by almost 50% over the previous year. (6-31)

Air California, Braniff, Delta, and PSA offered new service to the region, and air traffic is expected to increase even more upon the completion of a $50 million expansion program at the Reno International Airport that will enlarge the facility by four times its present size. The need for the project — to be completed by the end of 1980 — is supported by statistics for the first half of 1979 revealing a 41% leap in air arrivals, despite the cutback in United Airlines service during part of that period. (6-28)

In order to accommodate the proliferating numbers of tourists, four major hotel/casino properties were opened in 1978, in addition to the expansion of already existing facilities, creating 2,700 more hotel rooms. Occupancy rates, however, continued to be subject to rather wide seasonal variations, remaining very high from May through October (84-94% at downtown Reno hotels) and falling off during the winter months. Still, figures for the first seven months of 1979 document an improved picture, with January and February levels of 63.6% and 77.9% well above prior year figures. (6-32)

Gaming revenue in Washoe County also registered healthy increases during 1978. The most dramatic rise in taxable gaming revenue occurred during the third quarter when gambling generated 42.7% more than it had in 1977. (6-33) Nevertheless, there is a concern that the area may be spreading its casino patrons too thin because of an imbalance between the increase in gambling facilities and the number of available accommodations.

Unlike Las Vegas, where the ratio of hotel rooms to gaming facilities is quite large, the Reno area offers a comparatively high number of games supported by relatively few hotel rooms. Over the past five years, Clark County increased rooms by 24.3% and slots and games by 42% and 47% respectively. At the same time, Washoe County added 18% more rooms but 77% more slots and 107% more games. In the future, the Reno area must make a concerted effort to expand its


1980
Jan. 13
Mid-Winter closing January 9, 1980
Cruises closing January 16, 1980
Jan. 20
Feb. 3
World closing January 30, 1980
March 2
Pre-Spring closing February 27, 1980
April 13
Spring closing April 9, 1980
May 4
Pre-Summer closing April 30, 1980
June 1
Summer closing May 28, 1980
July 13
Mid-Summer closing July 9, 1980
August 3
Pre-Autumn closing July 30, 1980
Sept. 7
Cruises closing September 3, 1980
Oct. 5
Autumn closing October 1, 1980
Nov. 2
Pre-Winter closing October 29, 1980
Dec. 7
Winter Sports closing December 3, 1980

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accommodations facilities with an eye toward increasing first class hotel rooms that are in great demand by airline passengers. It is anticipated that an additional 6,000 hotel rooms by 1983 will help the region sustain a healthy pattern of growth.

Atlantic City

One of the biggest success stories in the casino gambling market can be found in the brief — and as yet barely documented — history of Atlantic City. The only data available at present comes from Resorts International which opened its doors in May 1978. But from the beginning, its growth has been astounding. June of that year saw a meager 37.8% occupancy level for the new property, while September 1979 revealed a rate of 95.4%. (6-34)

A study of the number of arrivals at Resorts International is currently being compiled; however, an account of the gross gaming winnings at the casino has been computed. During the property's first five days of operation, almost $3 million in gross wins were tabulated. The figures have exhibited seasonal fluctuations, but a record high of $24.9 million was recorded for July 1979. (6-29) In fact, in its first year, Resorts International took in 25% of the gaming revenue enjoyed by Las Vegas in 1978.

Currently, 12 new hotels are under construction in Atlantic City, in addition to three which will be operating within the next 18 months. According to the New York marketing and research firm of Harris, Kerr, & Forster, Atlantic City will have a total of 21 hotel/casinos with 14,000 rooms by 1982. The firm's feasibility studies have shown that there are some 55 million people living within 400 miles of the city, compared with 21 million living within 400 miles of Las Vegas, now supporting 48 casinos. To date, the expansion of traffic to Atlantic City has kept up with the surge in hotel construction, and the town has already lined up a record $1 billion in convention bookings through 1988.

The Future

Basing their predictions on developments in Atlantic City, market forecasters see a bright future ahead for the casino gambling industry and the tourist facilities which support it. A survey conducted by the Philadelphia-based accounting firm of Laventhol & Horwath revealed that 68% of the country's major financial institutions are optimistic about the expansion of casino gambling in the United States, because they believe that it is becoming an acceptable form of leisure entertainment for increasing numbers of people.

Laventhol & Horwath has also researched the impact of legalized casino gaming in the Catskills resort area, a development now under serious consideration by the state of New York. Findings indicated that major Catskills hotels would experience an increase of about 45% in both overnight visitors and room occupancy levels plus a 140% increase in day visitors. The visitors and casinos would produce a projected $120 million in additional revenues, $94 million of which would be respent in the area.

Although severe gas shortages could have an adverse effect on the market, several states seem willing to take the risk. In addition to New York, Florida and Louisiana are likely to legalize casino gambling within the next five years. Experts predict that by 1990, between 10 and 30 states may permit gaming and that total house winnings could reach $30 billion.

6-22

CLARK COUNTY GAMING REVENUE
FIRST HALF 1979

YEAR	FIRST QUARTER	PERCENTAGE CHANGE*	SECOND QUARTER	PERCENTAGE CHANGE*
1979	$357,885,684	+18.5%	$336,225,114	+11.1%
1978	$302,133,430	+22.1%	$302,594,683	+22.5%
1977	$247,544,755	+19.5%	$247,086,866	+19.8%
1976	$207,191,245	+10.7%	$206,231,882	+4.9%
1975	$187,242,753	+12.7%	$196,569,061	+14.0%

**Percentage change applies to same quarter of preceding year.*
Source: Nevada State Gaming Control Board; Las Vegas Convention/Visitors Authority, Marketing Dept.

6-23

LAS VEGAS VISITOR STATISTICS 1970-1978

Year	Visitor Volume	Number Hotel/ Motel Rooms	Hotel Occupancy Percentage	Motel Occupancy Percentage	Average Number of Nights Stayed
1970	6,787,650	25,430	70.0%	65.0%	2.3
1971	7,361,783	26,044	82.5%	72.0%	2.5
1972	7,954,748	26,619	86.5%	73.2%	2.5
1973	8,474,727	29,198	88.3%	78.5%	2.7
1974	8,664,751	32,826	86.0%	68.7%	2.7
1975	9,151,427	35,190	84.2%	72.8%	3.0
1976	9,769,354	36,245	85.9%	76.0%	3.2
1977	10,137,021	39,350	85.3%	74.2%	3.7
1978	11,178,111	42,620	86.9%	74.8%	3.5

Since 1970, visitor volume for Las Vegas has increased 64.7% or 4,390,461 people. During the same time span, the Las Vegas inventory of hotel/motel rooms has increased by 17,190 rooms or 67.6%. Also, since 1970, hotel occupancy has *averaged* 84.0% while motel occupancy has *averaged* 72.8%. The average length of stay has *averaged* 2.9 days.

Source: Las Vegas Convention/Visitors Authority, Marketing Dept.

6-24

LAS VEGAS TOTAL DOLLAR REVENUE 1970-1978

(Including Gaming Revenues)

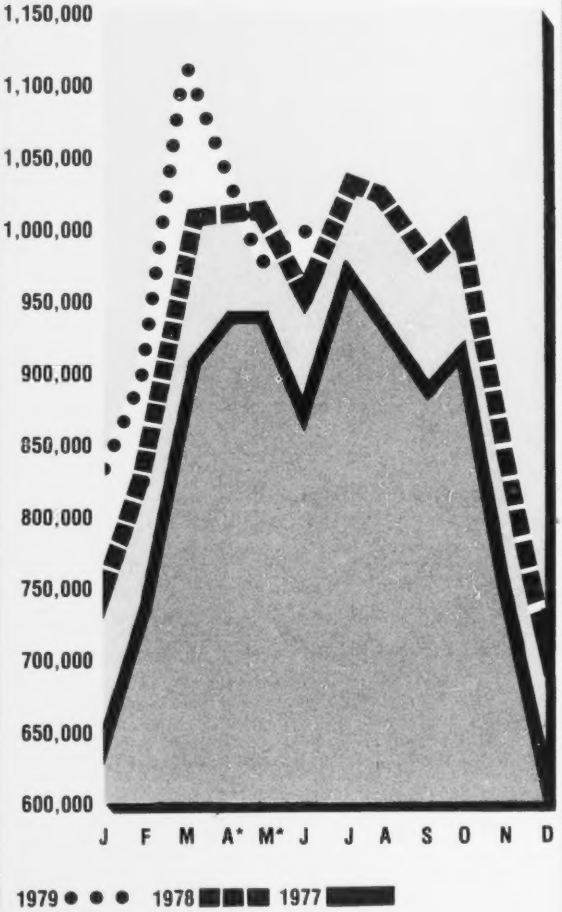
Year	Total Revenue Dollar Amount*	% Change
1970	$1,182,543,972	—
1971	$1,356,788,068	+14.7
1972	$1,505,660,818	+11.0
1973	$1,772,083,169	+17.7
1974	$1,891,089,307	+ 6.7
1975	$2,182,565,255	+15.4
1976	$2,447,644,172	+12.1
1977	$2,922,038,957	+19.4
1978	$3,279,205,986	+12.2

**Conventioneers spend $75 per day (excluding gaming). Tourists spend $50 per day (excluding gaming).*
Source: Las Vegas Convention/Visitors Authority, Marketing Dept.

6-25

LAS VEGAS VISITOR VOLUME

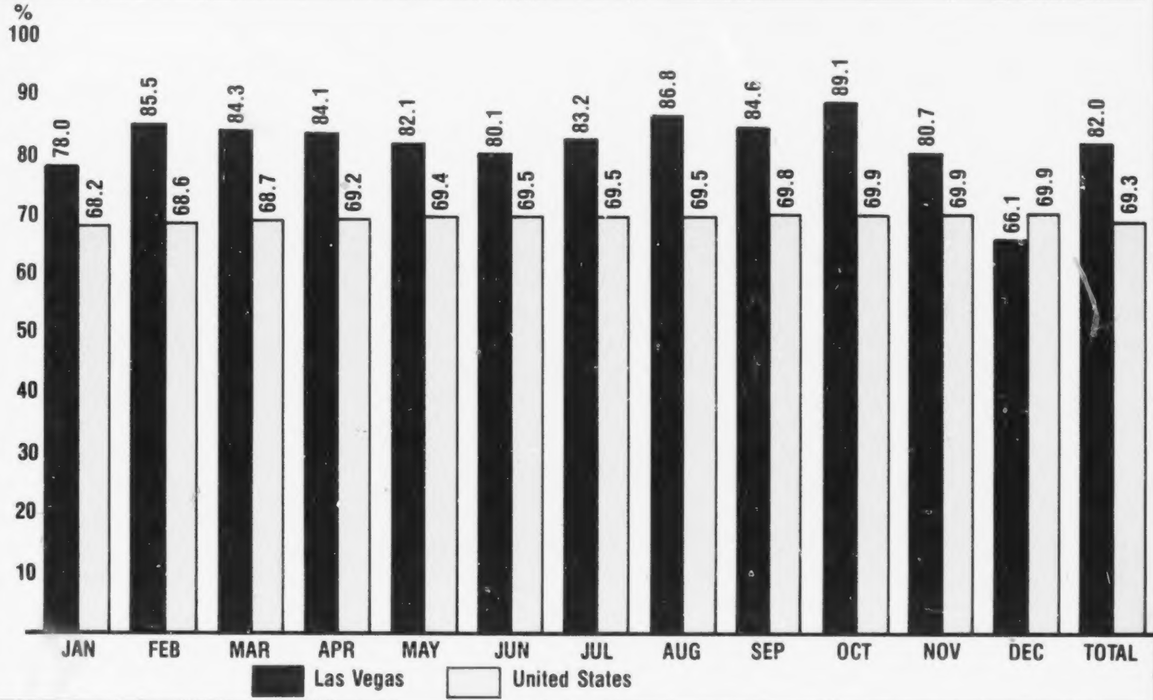
MONTH	1977	1978	1979
JANUARY	648,988	750,879	816,956
FEBRUARY	725,968	820,344	881,049
MARCH	908,785	1,001,481	1,113,647
APRIL*	946,596	1,011,911	1,028,102
MAY*	946,124	1,015,191	975,599
JUNE	863,220	946,952	959,262
JULY	981,296	1,044,099	—
AUGUST	932,252	1,030,138	—
SEPTEMBER	879,203	960,090	—
OCTOBER	927,478	1,022,081	—
NOVEMBER	757,943	874,666	—
DECEMBER	619,168	700,279	—



**1979 figures depressed due to United Airlines strike.*
Source: Las Vegas Convention/Visitors Authority, Marketing Dept.

6-26

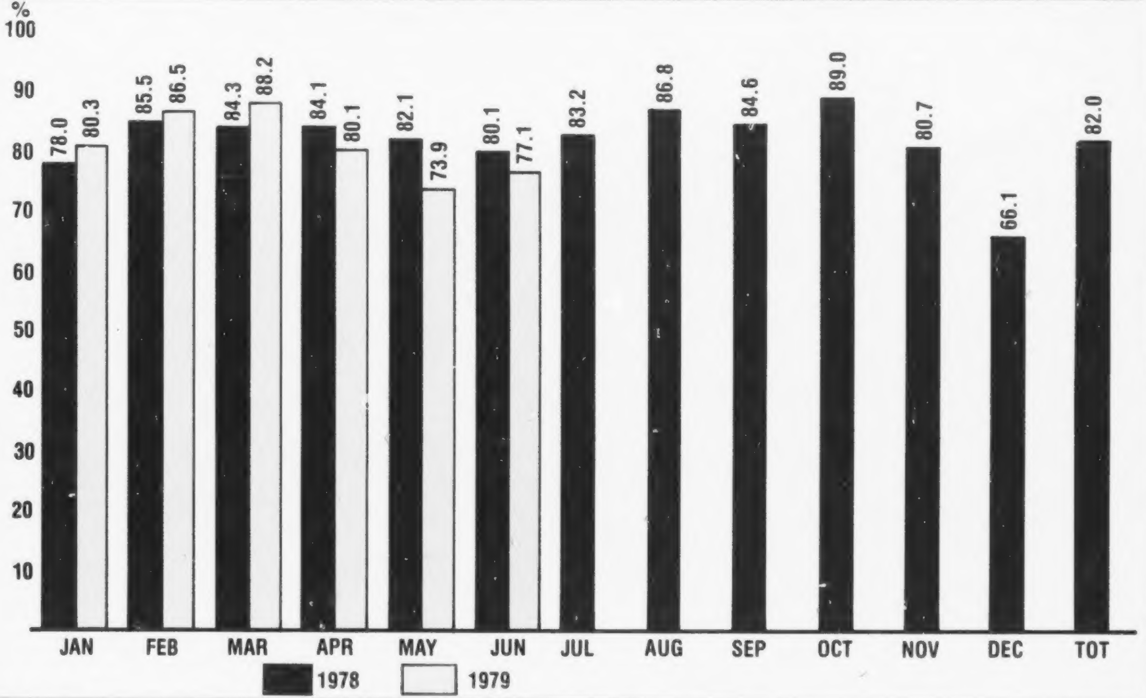
OCCUPANCY LEVELS: LAS VEGAS VS. UNITED STATES 1978



Source: Las Vegas Convention/Visitors Authority, Marketing Dept.

6-27

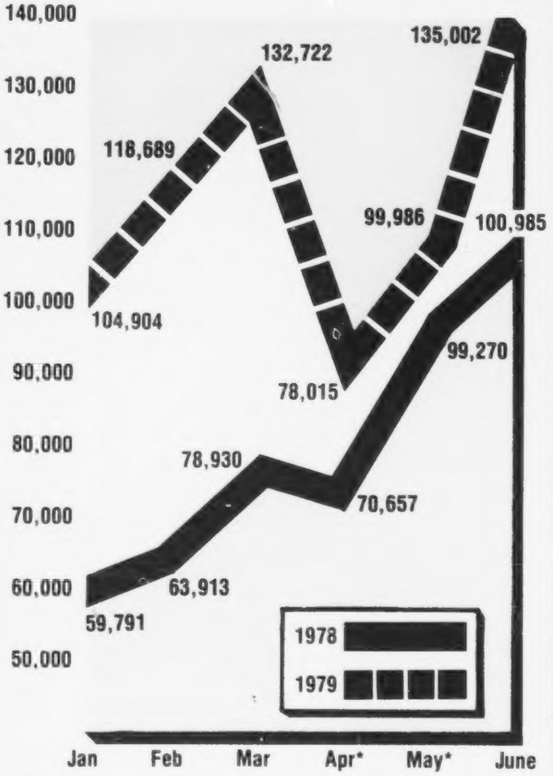
LAS VEGAS OCCUPANCY LEVELS 1978 AND 1979*



**Figures for first six months 1979 available. Note second quarter 1979 figures depressed due to United Airlines strike.*
Source: Las Vegas Convention/Visitors Authority, Marketing Dept.

6-28

RENO AREA ARRIVALS BY AIR FIRST HALF 1978/1979



**1979 figures depressed due to United Airlines strike.*

Source: Reno International Airport; Greater Reno-Sparks Chamber of Commerce

6-29

GROSS WIN FROM GAMING
Resorts International

Month	Gross Win
May 1978*	$ 2,850,780
June	16,053,652
July	20,652,497
August	23,535,460
September	19,735,147
October	18,527,522
November	17,890,860
December	14,818,715
January 1979	13,628,744
February	14,819,620
March	20,557,806
April	21,412,777
May	20,524,198
June	22,024,825
July	24,876,788
August	23,825,295

**Casino opened May 26, 1978. Figure reflects gross win for five days.*
Source: Resorts International

6-30

GROSS GAMING WINNINGS CLARK COUNTY 1970-1978

Year	Amount	% Change
1970	$ 369,286,977	+ 9.1
1971	$ 399,410,972	+ 8.2
1972	$ 476,126,720	+19.2
1973	$ 588,221,779	+23.5
1974	$ 684,714,502	+16.4
1975	$ 770,336,695	+12.5
1976	$ 845,975,652	+ 9.8
1977	$1,015,463,342	+20.0
1978	$1,236,235,456	+21.7

Source: Nevada State Gaming Control Board; Las Vegas Convention/Visitors Authority, Marketing Dept.

6-31

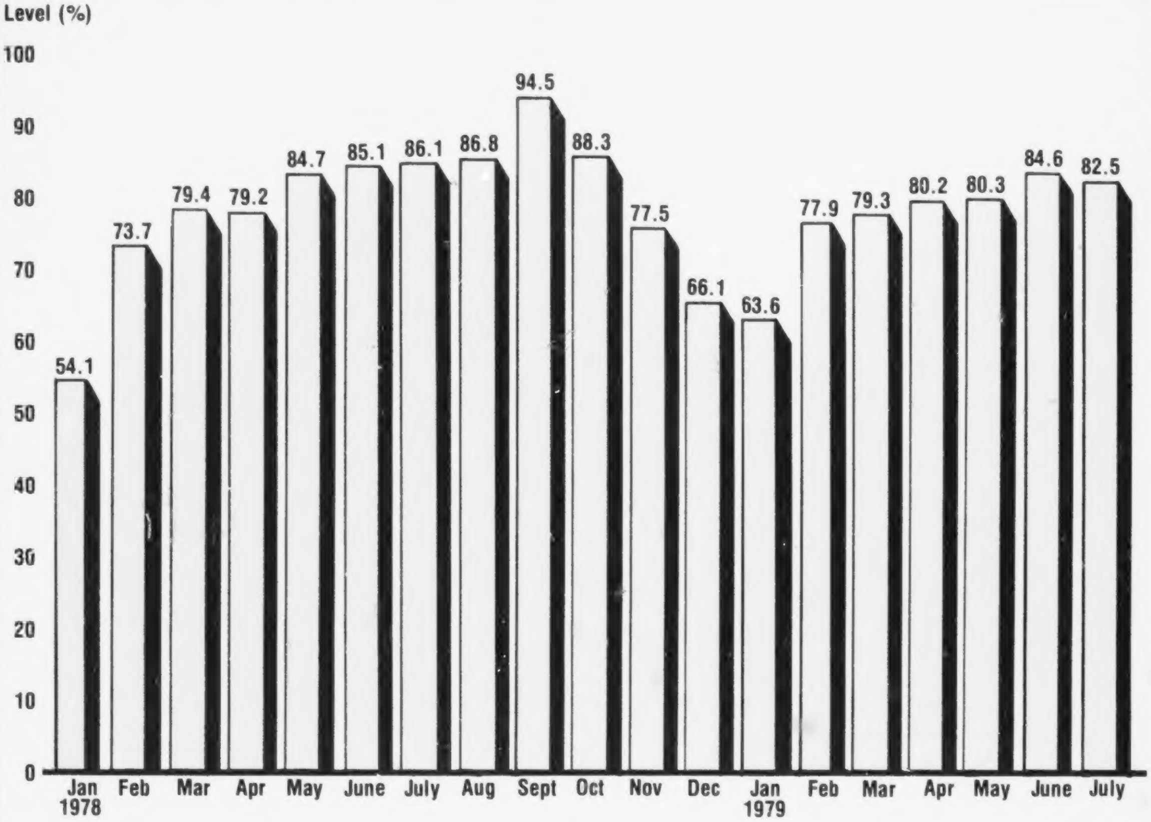
RENO AREA VISITOR STATISTICS 1977 VS. 1978

	1978	% of Total	1977	% of Total	Net Change	% of Change
Automobiles	8,178,400	76.7	7,799,600	79.8	378,800	4.9
Airplanes						
Commercial	778,400	7.3	522,500	5.3	255,900	49.0
Private	218,800	2.0	137,400	1.4	81,361	59.2
Non sched. & charters	108,100	1.0	73,600	0.8	34,500	46.9
Buses						
Regular	402,300	3.8	376,600	3.9	25,700	6.8
Charter & Special	965,600	9.0	839,600	8.6	126,000	15.0
Trains						
Daily Amtrak	32,600	0.3	21,200	0.2	11,400	53.8
TOTAL	10,684,200	100.0	9,775,600	100.0	908,600	9.3

Source: Greater Reno-Sparks Chamber of Commerce based on data from Nevada Highway Department, Reno National Airport/F.A.A., and Amtrak.

6-32

RENO OCCUPANCY LEVELS*



*Data shown is for downtown Reno hotels only.

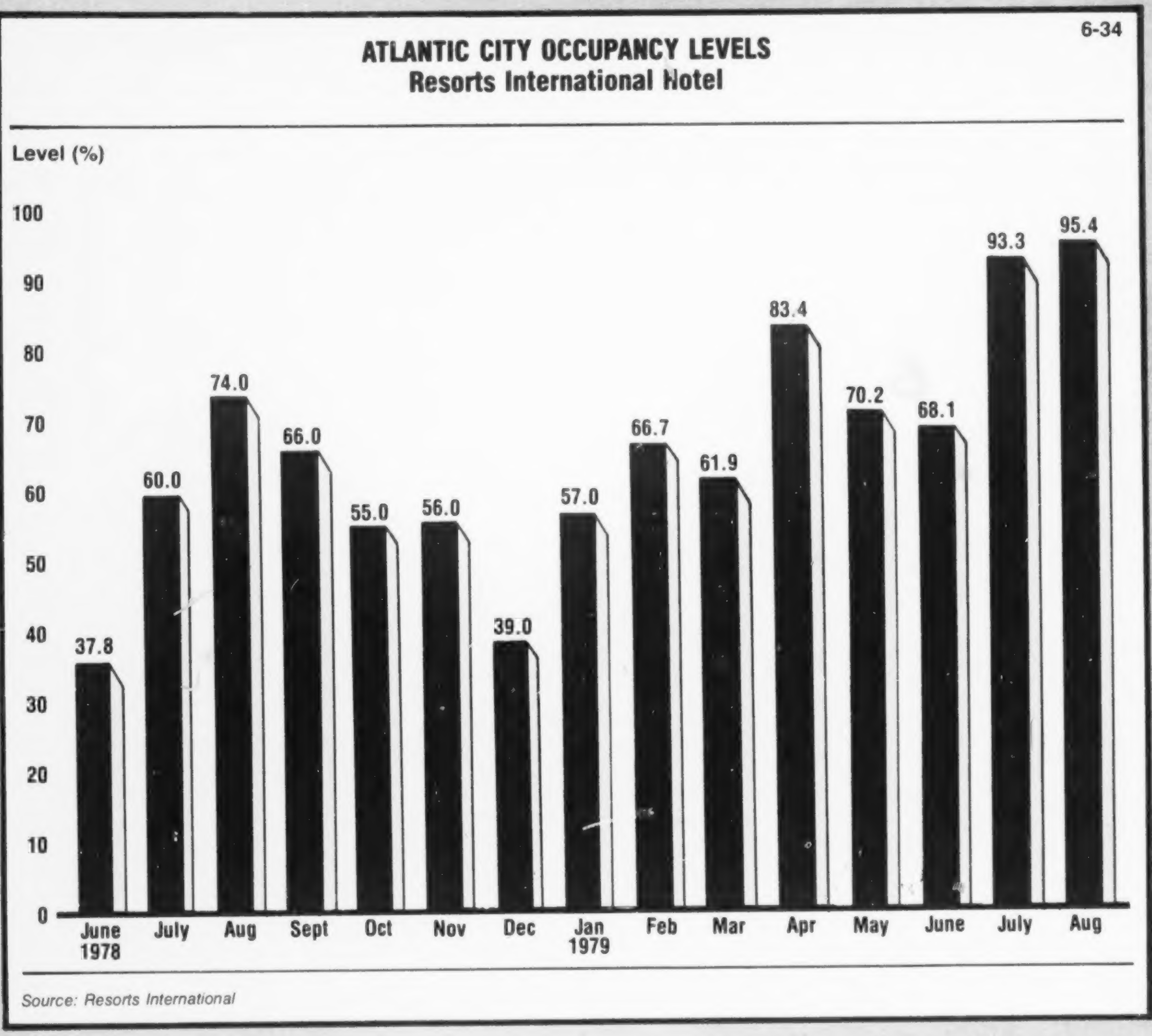
Source: Reno/Sparks Convention Authority; Greater Reno-Sparks Chamber of Commerce

6-33

GAMING REVENUE WASHOE COUNTY
1978

	1st Quarter	% Change	2nd Quarter	% Change	3rd Quarter	% Change	4th Quarter	% Change
Table Games	$33,265,744	14.1	$45,293,799	30.2	$ 57,031,951	42.9	$45,452,377	26.7
Slots	$30,749,254	16.8	$48,505,503	32.7	$ 60,979,890	42.5	$46,212,699	32.3
Gross Taxable Total	**$64,014,998**	**15.4**	**$93,799,301**	**31.5**	**$118,011,841**	**42.7**	**$91,665,076**	**29.5**

Source: Nevada Gaming Control Board; Greater Reno-Sparks Chamber of Commerce


6-34

ATLANTIC CITY OCCUPANCY LEVELS
Resorts International Hotel

Source: Resorts International

HONEYMOON TRAVEL

Honeymoon travel may represent the most consistently solid segment of the tourism market as a whole. Marriages imply honeymoon trips, and projections indicate that the number of marriages in the United States will increase by about 5% over the next five years. In fact, an estimated 2.3 million weddings are planned for 1980.

According to a recent study of the honeymoon market conducted by *Modern Bride* magazine, 96.4% of all brides-to-be plan to take a honeymoon trip.* (6-35) This percentage remains virtually constant regardless of the time of year that the marriage is to take place. However, June is still the most popular month for weddings — 12.6% of all marriages in 1978 having occurred then — with August, May, and July following behind.

Honeymoon Destinations

Nearly 63% of honeymoon couples plan to devote a week or more to their trip, and 15% plan to take two- or three-week vacations. The honeymoon trip averages eight days in length, although the choice of destination has a strong impact on the number of days set aside for the holiday. In general, less time is spent at domestic destinations, with the exception of the Mountain/Pacific region. Three weeks represents the average amount of time spent on a European honeymoon, a substantially longer period than couples plan to spend in Hawaii (11 days) and the Caribbean (10 days).

In terms of destination choice, 25% of all brides-to-be select honeymoon spots outside of the United States. Canada is the most popular foreign destination (5%), followed by the Virgin Islands, the Bahamas, Mexico, "other" Caribbean islands, Bermuda, Europe, and Puerto Rico.

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*The Modern Bride Honeymoon Travel Study *was based on data compiled from an extensive survey of readers performed in 1978.*

Those planning honeymoons at domestic destinations most often choose Florida as their vacation spot (16%). California draws 10% of just-marrieds, although the state attracts more couples than Florida during the summer months. Next in order of yearround popularity are Pennsylvania, Colorado, Tennessee, Hawaii, Nevada, New York, and Virginia.

Transportation and Expenditures

A honeymoon currently averages 1,800 miles roundtrip, and 63% of honeymoon travelers use a personal car as their primary means of transportation for all or part of their trip. Airplane usage accounts for 39% of transportation means preferred by honeymooners, this figure rising to 44% among those married in the spring and dropping to 36% among those married during the summer. Similarly, rental car usage peaks among spring brides-to-be (23%), as compared to a yearround average of 18% for that form of transportation.

Means of transportation and choice of destination have a strong impact on the planned expenditures of honeymoon travelers. Variables aside, the average figure comes to $1,005 with $258 devoted to transportation and $272 to accommodations, the two together representing 53% of total designated expenditures. The balance is spent on food and entertainment (20%), personal shopping (12%), gifts (7%), and miscellaneous (8%).

However, the $1,005 average amount varies enormously when destination is considered, ranging from $834 to $2,745 for foreign destinations and from $668 to $1,150 for domestic vacation spots. (6-36) Honeymooners intend to spend the most money in Europe ($2,745), although expenditures run high for Hawaii ($2,175), Puerto Rico ($2,066), and Jamaica ($1,972).

Use of Travel Services

Almost three out of four or 72% of honeymoon couples plan to carry travelers checks worth an average of $546. This represents a level four times as great as that of the general U.S. population for past-year purchase of traveler's checks. Not unexpectedly, traveler's check usage peaks among spring (75%) and summer (74%) brides-to-be who also plan the highest total honeymoon expenditures.

While those making honeymoon arrangements reveal an apparent desire for flexibility and freedom from rigid itineraries, 26% choose to purchase some form of tour package. Moreover, 37% opt to use the services of a travel agent instead of contacting suppliers directly. Travel agent usage shows a notable increase among couples married in the spring (43%), most likely due to the higher incidence of foreign travel during that season.

In Conclusion

The honeymoon market, probably more than any other pleasure travel market considered here, is least subject to the vicissitudes of inflation, recession, and fuel shortages. Certainly, a couple's choice of destination and means of transportation are influenced by the availability of funds and fuel. But the honeymoon trip itself will undoubtedly hold its position as one of the first major purchases made by prospective brides and grooms. In that sense, the market remains open to the innovations and creative marketing strategies of travel industry suppliers.

6-35

VITAL STATISTICS ON HONEYMOON TRAVEL*

Plan to take a honeymoon	**96.4%**
Average length of time spent in planning trip	**12.5 weeks**
Type of transportation used:	
Personal Car	62.7%
Plane	39.2
Rental Car	18.3
Ship	3.8
Camper or Trailer	2.8
Bus	2.5
Train	1.8
Other	4.4
Average round trip mileage:	**1,848 miles**
Average length of trip:	**8.0 days**
Average planned honeymoon expenditure for:	
Transportation	$258
Accommodations	272
Food/Entertainment	202
Personal Shopping	117
Gift Purchases	76
Miscellaneous	80
Total Honeymoon Expenditure	**$1,005**
Travelers checks:	
Plan to use	72.2%
Average value	$546
Honeymoon destination outside the United States	**25.3%**
Passport ownership:	
Currently have a valid passport	18.5%
Plan to obtain a passport in the near future	13.9%

**Based on* Modern Bride *sample.*

Source: Modern Bride Honeymoon Travel Study

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6-36

AVERAGE PLANNED EXPENDITURES BY HONEYMOON DESTINATION

	Total Planned Expenditure	Transportation	Hotels/ Motels	Food/ Entertainment	Personal Shopping	Gift Purchases	Miscellaneous Items
Domestic							
Mountain/Pacific	$1,150	$ 350	$280	$230	$121	$ 76	$ 93
New England/ Middle Atlantic	877	157	286	192	100	65	77
New England/ East South Central	848	199	234	180	98	64	73
West South Central	719	169	217	146	79	54	54
West North Central	687	172	174	146	78	53	64
East North Central	668	136	191	148	76	53	64
Foreign and Hawaii							
Europe	$2,745	$1,014	$600	$470	$305	$177	$179
Hawaii	2,175	790	535	386	198	118	148
Puerto Rico	2,066	559	561	437	223	142	144
Jamaica	1,972	575	510	415	208	130	134
Other Caribbean	1,857	555	487	346	212	134	123
Virgin Islands	1,822	555	472	341	208	122	124
Bermuda	1,688	468	545	299	166	102	108
Bahamas	1,430	408	376	288	153	90	115
Mexico	1,391	437	353	257	143	97	104
Canada	834	180	225	192	104	62	71
Total	$1,005	$ 258	$272	$202	$117	$ 76	$ 80

Source: Modern Bride Honeymoon Travel Study

LEISURE ACTIVITIES

The need to travel and the desire to participate in leisure activities go hand in hand. In fact, both the travel and leisure markets overlap so much in terms of expenditures of extra time and money, and are so mutually beneficial to consumers and to each other, that they are difficult to separate. A recent estimate of total dollar expenditures for leisure pursuits in the United States was put at $180 billion per year, with one-half to two-thirds of this amount attributable to travel-related activities.

A study of the favorite leisure-time activities of travelers* reveals that they are more involved in a wider range of pursuits than the non-traveling population. (6-37) Travelers occupy their time with sports — especially those which require extra time to pursue and additional funds to master — boating/sailing, jogging/physical fitness exercise, tennis, golf, and skiing. Travelers are also more likely than nontravelers to attend sporting events.

Only with respect to those activities associated with home and family life — cooking, gardening, and watching television — do non-travelers exhibit a slightly greater involvement. But whether one considers sports, cultural pursuits, or entertainment activities, travelers are more involved. They read more, are more apt to visit museums and galleries, and are more likely to attend the theater, opera, or ballet. Travelers also engage in "social" pastimes to a greater degree than do nontravelers. Dining out, entertaining, and frequenting nightclubs, cafes, and discotheques are all representative pursuits of those who also make travel an integral part of their lives.

Focus on Skiing

According to the leisure profile of travelers as documented by Travel Pulse research, 12% of those who took a trip within the past year — as opposed to 7% of those who did not — considered skiing a favorite leisure activity. Recent surveys support the notion that the number of skiers in this country is on the rise and that those who ski represent a growing consumer market for travel.

A 1979 study performed by the A.C. Neilson

**The study of leisure activities pursued by travelers was done by the Travel Pulse Research Service which defines "traveler" as one who has taken a trip of at least 200 miles round trip that involved air travel or paid accommodations or cruise travel within the past year.*

Company, as part of its third triennial survey of sports participation, showed that alpine and cross-country skiing combined attracted 15.4 million participants. (6-39) This figure was up 40% over the 11 million skiers identified in 1976, which in turn, was up 42% over the 7.7 million skiing participants in 1973. Although others sports have benefited from greater surges in popularity over the years, skiing has demonstrated the highest sustained growth of any of the participant sports.

Demographics of Skiers

Skiing enthusiasts are demographically different from the total U.S. population. (6-38) Males make up 59% of all alpine and 53% of all cross-country skiers, but account for only 48% of the U.S. adult population. Skiers are also more likely to be single than the population in general, approximately one-half remaining unmarried as opposed to one in five of all adults in the U.S.

Skiers exhibit higher levels of education and income when compared to the population as a whole. 20% of alpine and 30% of cross-country participants have achieved a postgraduate education, versus 10% of the total adults in this country. Similarly, 32% of alpine and 26% of cross-country skiers live in households with incomes exceeding $25,000 per year, while only 16% of the total U.S. households have attained that income level. Not unexpectedly, there are twice as many skiers who hold professional or managerial positions as there are total U.S. adults who are employed in comparable capacities.

Skiing Trips

Their demographic profile reveals that most skiers can afford the time and money to travel. According to the most up-to-date study of skier motivations and activities, conducted by *SKIING Magazine* in cooperation with Opinion Research Corporation, nearly 80% of all skiers planned day trips and over 50% scheduled overnight trips during a single ski season. (6-41) Alpine skiers averaged close to eight skiing trips per season, while cross-country skiers averaged over nine.

In terms of actual numbers of days devoted to ski trips, alpine skiers spent an average of 11 days and cross-country participants an average of 13 days skiing away from home. Most of these trips found skiers using their own cars for transportation. In fact, other forms of transport — bus, train, airline, rental car — were used by less than 4% of skiers taking trips.

Virtually all of the skiers surveyed, 91%, chose destinations exclusively in the United States during the two seasons covered by the study. The remaining 9% skied both within and outside the country. (6-40) Vermont, New York, and Colorado drew the most alpine skiers, while cross-country enthusiasts chose Vermont, New York, and New Hampshire most frequently.

Skiers headed to foreign destinations selected Canada more often than any other vacation spot. Switzerland and Austria followed in popularity, with Germany, France, and Italy drawing only 1% of the total U.S. skiing population.

Based on an estimated 6.5 million skiing households in the United States, the average expenditure for ski trips amounted to $395 per household, with total expenditures by all households reaching $2.6 billion. (6-44) Transportation and lodging each accounted for 25% of the total household outlay for skiing trips. Fees, lifts, and rentals made up 29%, and food, beverages, amusements, etc. made up the remaining 21%.

Another recent study of the skiing market — this one done by the Industry and Trade Administration of the U.S. Department of Commerce — revealed that skiers prefer to plan trips on an individual basis. Approximately 36% of ski vacations utilize some form of package plan, while 64% are arranged independently. The examination also discovered that 51% of all skiers stay at hotels, motels, or resorts during their vacations, and 30% choose condominium or house rentals. (6-43)

The Future of the Market

The same Commerce Department study — the results of which have been published in a pamphlet entitled *The Growth of Selected Leisure Industries* — rated skiing as the second fastest growing sport in the United States, just behind tennis. It should be noted, however, that the investigation was based on data available only through 1976. Nonetheless, despite its lack of precise and timely statistical data, the government report offered some important observations on the future of the leisure market in general:

"In the past two decades, Americans have seen almost steady improvement in the amount of their time and money available for leisure pursuits. While the 40-hour work week has remained constant since the end of World War II, the average worker now gets longer vacations and more holidays. This means that the average 'leisure year' is 122 days . . . Leisure time is not expected to change to any great extent in the 1980's . . .

"The love affair with the 'active life' has brought a radical attitudinal change to many Americans' approach to leisure. Leisure time has become just as important to them as their work lives. As with their careers, they are frequently setting goals for their leisure time, such as becoming a ranked tennis player, getting rid of a slice in their golf game, or training for the Boston Marathon running classic. In addition, more people are taking vacations with an athletic purpose."

6-37

FAVORITE LEISURE ACTIVITIES OF TRAVELERS

	Travelers % 100	Nontravelers % 100
Sports		
Fishing/hunting/camping/ hiking	40	40
Swimming	42	33
Bowling	27	26
Bicycling	26	22
Boating/sailing	26	20
Jogging/physical fitness exercise	18	14
Motorcycling	15	14
Tennis	17	12
Water skiing	14	9
Golf	14	8
Skiing	12	7
Flying	11	6
Hobbies		
Cooking	34	36
Gardening/indoor plants	32	34
Handiwork (knitting, crocheting, sewing, etc.)	26	25
Photography	18	13
Playing an instrument	12	10
Hobbies (stamp, coin collecting, etc.)	11	9
"Popular" Pastimes		
Watching television	55	64
Reading newspapers/ magazines	51	44
Going to the movies	39	34
Going to sporting events	36	27
Playing cards/doing puzzles	32	30
Gambling	12	10
"Social" Pastimes		
Visiting friends/relatives/ going to parties	61	50
Eating out	60	45
Entertaining at home	41	32
Going to nightclubs/cafes/ discotheques	30	22
"Cultural" Pastimes		
Listening to music	64	59
Reading books	48	37
Visiting museums/galleries/ historic places	36	23
Going to the theater/opera/ ballet/concert	26	15
"Family" Pastimes		
Taking a drive/going on family outings	52	18
Shopping	37	37
Going to family recreation/ amusement/theme parks	21	21
"Self-Improvement" Pastimes		
Volunteer Work	25	20
Nightschool/continuing education/lectures	15	10
Consciousness-raising group	5	4
Yoga/T.M./meditation	4	4

Source: Travel Pulse Research Service 1977-78

6-38

SKIERS: A DEMOGRAPHIC COMPARISON*

Demographic Characteristic	Skiers (%)**	Total U.S. Population (%)
# Males	59 (53)	48
# Singles	50	20
# Adults under 30	70	30
# Achieved post-graduate education	20 (30)	10
# Household income over $25,000	32 (26)	16
# Employed in professional/ managerial position	60	30

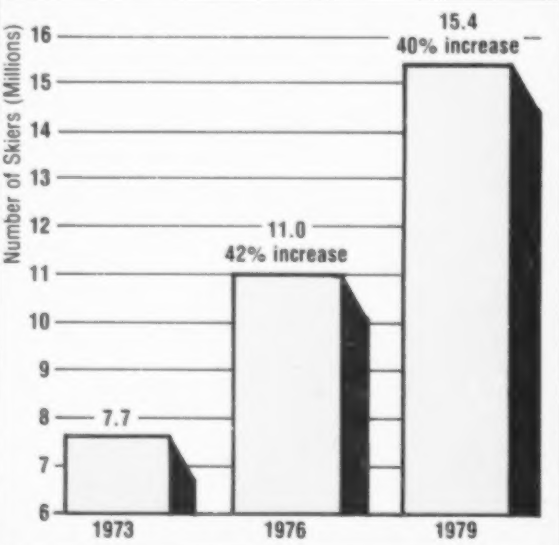
**Percentages are approximate.*

***Figures are for alpine skiers or all skiers. Those in () apply to cross-country skiers only.*

Source: SKIING Magazine/Opinion Research Corporation

GROWTH OF PARTICIPATION IN SKIING* 1973-1979

6-39



**includes participants in both alpine and cross-country skiing.*
Source: A.C. Nielson Company, 1979 Survey of Sports Participation

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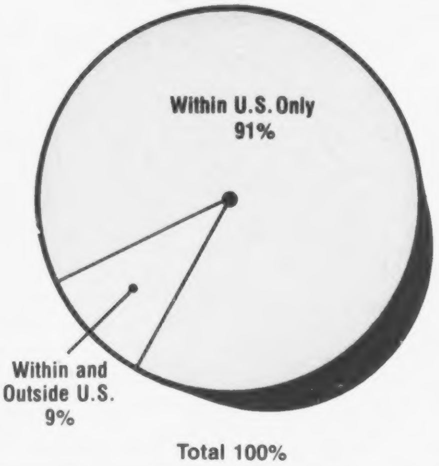
6-40

SKIING TRIP DESTINATIONS*

Where skied/% of Total Skiers



LEADING SKI DESTINATIONS**

	% of Total Skiers	
Within U.S. (Regions)	**Alpine**	**Cross-Country**
New England	51	65
Western	53	46
Middle Atlantic	35	26
Within U.S. (States)		
Vermont	24	26
New York	22	20
Colorado	22	17
New Hampshire	14	20
Michigan	11	10
Wisconsin	8	13
Massachusetts	8	12
California	8	9
Outside U.S. (Countries)		
Canada	5	5
Switzerland	2	2
Austria	2	2
Germany/France/Italy	1	1

*Less than 5% of total skiers outside the U.S. only.

**Includes multiple mentions.

Source: SKIING Magazine/Opinion Research Corporation

6-41

SKIING TRIP STATISTICS

	% of Total Skiers	
Types of Trips	**Alpine**	**Cross-Country**
Day Only	43	50
Day and Overnight	34	35
Overnight Only	23	15
Day Total	77	85
Overnight Total	57	50
Number of Trips*		
1-2	31	24
3-5	26	24
6-10	22	26
11-24	16	19
25 and Over	5	7
Number of Trip Days**		
1-2	17	15
3-6	32	28
7-10	17	18
11-15	12	11
16-24	10	14
25 and Over	12	14
Transportation Used (Includes multiple mentions.)		
Own Car	82	76
Rental Car	2	1
Airline	1	1
Train	—	—
Bus	4	3
Other	13	20

*Average number of trips (mean): 7.7 for alpine and 9.2 for cross-country.

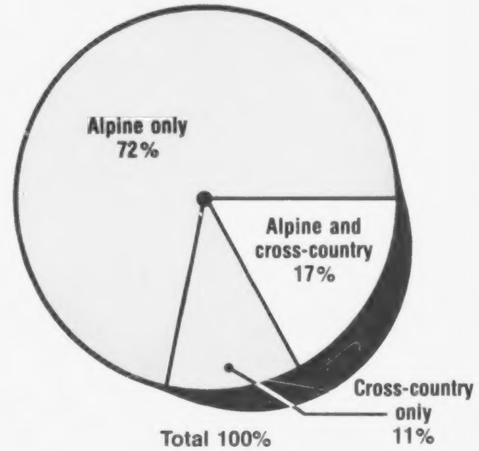
**Average number of days (mean): 11.1 for alpine and 12.6 for cross-country.

Source: SKIING Magazine/Opinion Research Corporation

6-42

KINDS OF SKIERS

Kind of Skiing/% of Total Skiers



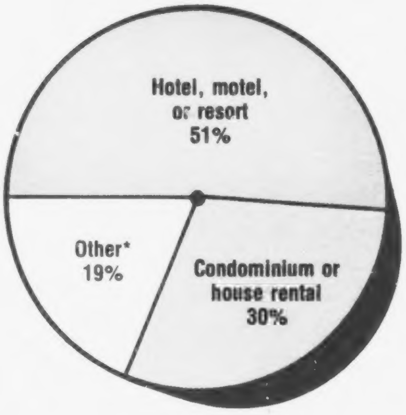
Total 100%

89% of all skiers ski alpine.
28% of all skiers ski cross-country.

Source: SKIING Magazine/*Opinion Research Corporation*

6-43

SKI VACATION LODGINGS
Where Skiers Stay



Total 100%

**At own house, with friends, camping.*

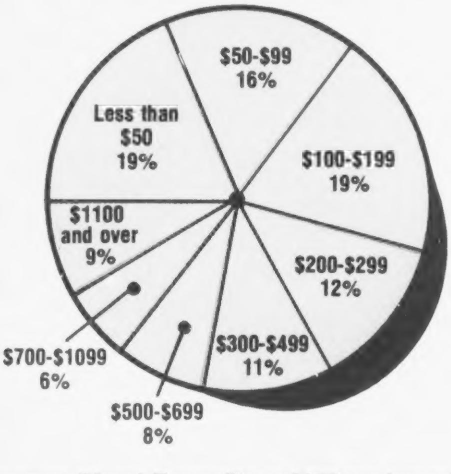
Note: Approximately 36% of ski vacations involve a package plan. 64% are planned on an individual basis.

Source: U.S. Department of Commerce, Industry and Trade Administration

6-44

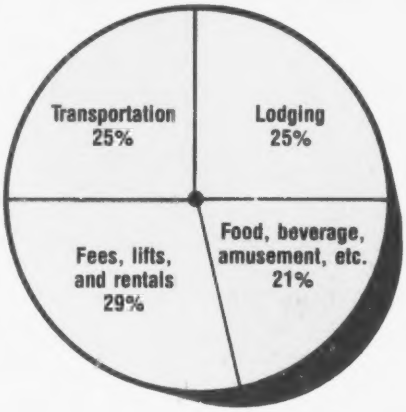
HOUSEHOLD EXPENDITURES ON SKI TRIPS*

Total Expenditures/% of Skiing Households



Average (Mean) Expenditure: $395 per household

Types of Expenditures/% of Total Expenditures



Total Expenditures (000,000): $2578

**The absolute level of skiing expenditures is probably understated due to incomplete reporting by households containing two or more adult skiers and by the exclusion of households with teenage skiers only. Figures are based on 6,531,000 skiing households.*

Source: SKIING Magazine/*Opinion Research Corporation*

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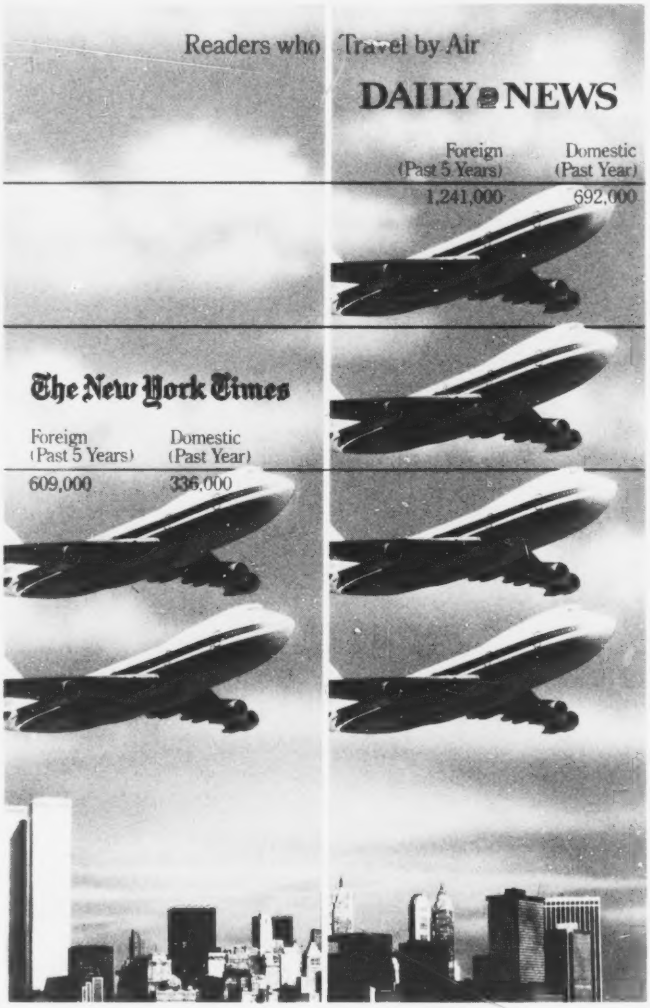

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TRAVEL ADVERTISING

TRAVEL ADVERTISING

While figures for 1979 have not yet been published, those released for 1978 confirm that travel advertising continues to command record outlays for space and time utilized in the nation's measured media. A total of $606.5 million was spent by travel market suppliers to advertise their products and services in newspapers and magazines, on television and radio, and through the use of outdoor space, this amount representing a $110 million or 23% increase over 1977 expenditures. (7-01)

Travel advertising expenditures exceeded both tobacco ($368 million) and liquor ($566 million) industry outlays, and were running a close second to automobile advertising dollars ($639 million for domestic and foreign combined) by the end of 1978. (7-04) In addition, total travel industry advertising in measured media was at the rate of 43 cents per $100 of sales, still well below the national average for all advertised products.

Market Share of Ad Expenditures

Airlines remained the biggest advertisers among all industry groups, accounting for $255 million or 42% of total advertising expenses. Hotels, motels, and resorts were responsible for over 24% of the $606.5 million spent, while travel services — i.e., travel packages, travel agents, credit cards, traveler's checks — contributed 20.4% of the year's total. (7-03)

All segments of the market increased their advertising expenditures in 1978, with the exception of railroads and rental cars. Again, airlines, hotels, and travel services registered the most dramatic jumps in terms of dollars spent. Air carriers allotted 21.5% more money to advertising, hotels set aside 20.3% more, and travel services devoted a whopping 54.8% more to advertising budgets, probably due to credit card campaigns. (7-05) Also of note was the fact that bus companies increased advertising expenditures by a healthy 14%.

Top 15 Travel Advertisers

One of the unique phenomenons of travel promotion supported by 1978 statistics was the fact that a relatively small number of suppliers continued to account for a large share of all dollars spent in measured media. The top 15 travel advertisers — led by United Airlines which paid $37 million for advertising space and time in 1978 — were responsible for over 40% of total industry ad expenditures. (7-08) American Express budgeted $31.5 million, concentrating 81.5% of that in television advertising, and the company jumped from the number six to the number two spot on the list of top 15. (7-06) A new addition to the high ranks in 1978 was Mastercharge, which allotted over $10 million to credit card advertising, also devoting most of it to television time.

Of the top 15 travel advertisers in 1978, 10 were represented by airline companies. United, Delta, American, Eastern, and TWA each spent over $20 million advertising their services, United spending 42% more and Delta 13% more than in 1977. (7-09) It is interesting to note, however, that these suppliers allocated advertising funds among the measured media in very different ways.

United gave 48% of its ad budget to television time and 35% to newspaper space. Delta concentrated over 60% of its advertising dollars in newspaper promotion and 8% in television. American, Eastern, and TWA devoted the largest share of their ad budgets to newspapers, although television was utilized to a much greater extent by them than by Delta. (7-08)

Newspaper Advertising

Newspapers remained the number one beneficiary of travel industry expenditures for advertising in 1978, taking 42% ($255.3 million) of the market, a 19% increase over 1977. (7-01,7-02) Airlines spent $113.9 million on newspaper advertising, followed by hotels, motels, and resorts at $54.8 million, travel services at $50.4 million, and cruise ships at $20.3 million.

The 50 leading newspaper travel advertisers budgeted a combined total of nearly $136 million for space and accounted for 53.2% of all dollars spent by the travel industry for newspaper advertisements. (7-12) Delta Airlines topped the list of spenders in 1978, with an outlay approaching $16 million. United Airlines ranked second with a $13 million expenditure that represented a 65.7% increase over the amount the carrier had spent in 1977. Substantial leaps in newspaper advertising revenue from travel suppliers were also attributed to the increased budgets of Hertz (up 144%), North Central Airlines (up 175%), and Greyhound (up 174%).

Television and Magazine Ads

The money devoted to television advertising by the travel industry increased by some 33% in 1978, the $163.6 million total representing 26.7% of all travel advertising dollars spent on measured media that year. (7-01,7-02) Again, airlines were the biggest spenders ($63.8 million), although travel services allocated 67.5% more than in 1977 ($44.9 million).

United Airlines ranked as the top television advertiser in 1978 with a $17.8 million expenditure. (7-14) American Airlines increased its budget for television time by more than 63%, although more dramatic increases in revenue came from Mastercharge (up 130%), the state of New York (up 90%), and the Bahamas' tourist bureau (up 411%). The top 50 television travel advertisers spent a total of $142.7 million in 1978, 87% of all television travel advertising.

Magazines took a 19% share of the 1978 travel industry advertising budget to register total revenues of $114.6 million, a 29% increase over the previous year. (7-01,7-02) Hotels, motels, and resorts spent more money on magazine advertising than on any other measured media, and their $57 million expenditure was greater than that of any other travel market segment.

Time, *Newsweek*, and *Business Week* remained the top recipients of travel advertising dollars (7-11), while the *New Yorker*, *Travel & Leisure*, and *Sunset* led the list in numbers of pages devoted to travel industry advertisements. (7-10) American Express spent the most money on magazine space in 1978, nearly $6 million, although many industry suppliers increased their volume enormously. Among those registering over 100% increases were Disneyworld, Delta Queen, Diners Club, Marriott, Avis, the Canadian province of Quebec, Hilton, Hyatt, the Virgin Islands, and Braniff Airlines. (7-13)

Radio and Outdoor Ads

Radio and outdoor advertising combined accounted for approximately 12% of all travel dollars spent on measured media in 1978, radio alone holding a 9% share. Nonetheless, both experienced increased revenues of 11.8% and 4.2% respectively. (7-01,7-02) The major advertisers utilizing radio time and outdoor space continued to be the nation's air carriers, however travel services spent 476% more money on radio ads in 1978 than in the previous year.

Expenditures for radio air time made by the top 50 radio advertisers amounted to 90.4% of all travel advertising dollars assigned to that medium. (7-15) Similarly, the 50 leading outdoor advertisers supplied 87.8% of the travel revenue in that market. (7-16) Delta Airlines headed the list of travel advertisers using radio spots in 1978, and the carrier took second place to Eastern Airlines' first on the list of outdoor advertisers from the travel industry.

Outlook for 1979

It is expected that when 1979 figures are tabulated, another banner year for travel advertising will be recorded. Television should register substantial revenue gains due, in large part, to the media blitz following the United Airlines strike and the continued investment of American Express in its widely publicized and controversial traveler's check campaign. In fact, the entrance of more credit card companies into that particular market should further increase sales of television advertising time — as well as time and space in the other measured media — during 1980.

Note: Updated material and more detailed information is available from Leading National Advertisers (LNA), 515 Madison Avenue, New York, N.Y. 10022.

Abbreviations of Sources for Advertising Figures

LNA — Leading National Advertisers
NAB — Newspaper Advertising Bureau
OAAA — Outdoor Advertising Association of America
RAB — Radio Advertising Bureau
TVB — Television Bureau of Advertising

7-01

COMPOSITE STATEMENT OF TRAVEL ADVERTISING DOLLARS 1977 VS. 1978 ($Millions)

	Total Travel Advertising		Newspapers		Magazines		TV		Radio		Outdoor	
Advertiser	**'78**	**'77**	**'78**	**'77**	**'78**	**'77**	**'78**	**'77**	**'78**	**'77**	**'78**	**'77**
AIRLINES	255.2	210.0	113.9	85.5	28.0	24.8	63.8	56.9	41.5	34.9	8.0	7.9
SHIPS	25.3	25.0	20.3	19.9	4.4	3.4	.5	1.5	.1	.2	—	—
RAILROADS	10.6	11.1	4.0*	3.0	.6	.9	5.4	6.2	.6	1.0	.0	.0
BUS	11.4	10.0	3.1	3.1	.2	.2	7.8	5.8	.3	.8	.0	.1
RENTAL CARS	31.6	33.4	8.8	13.3	5.9	5.2	16.8	12.4	.1	2.4	.0	.1
TRAVEL SERVICES**	124.0	80.1	50.4	42.6	18.5	7.9	44.9	26.8	9.8	1.7	.4	1.1
HOTEL/MOTEL & RESORTS	148.4	123.4	54.8	47.1	57.0	46.6	24.4	13.5	3.1	8.6	9.1	7.6
TOTAL	606.5	493.0	255.3	214.5	114.6	89.1	163.6	123.1	55.5	49.6	17.5	16.8
% Change 78/77	+23.0		+19.0		+28.8		+32.9		+11.8		+4.2	

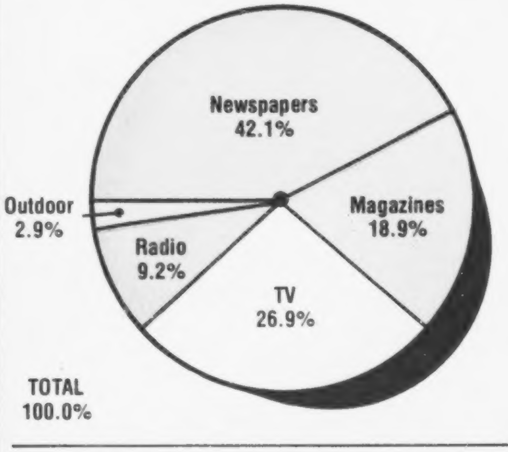
*Includes newspaper supplements.

**Includes travel packages, travel agents, credit cards, and travelers checks.

Source: Media Records, NAB, LNA, RAB, TVB, OAAA, and Travel Market Yearbook

7-02

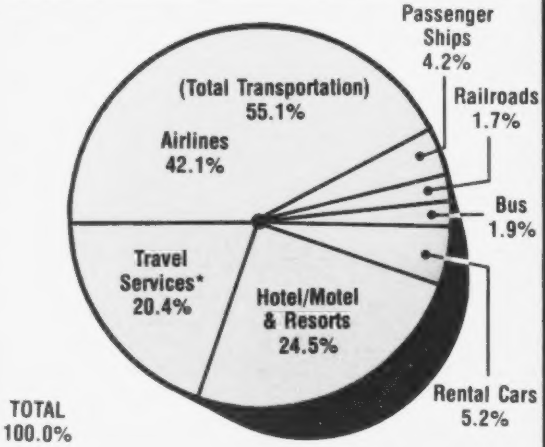
MEDIA SHARES OF TRAVEL ADVERTISING EXPENDITURES 1978



Source: Media Records, NAB, LNA, RAB, TVB, OAAA, and Travel Market Yearbook

7-03

MARKET SHARES OF TRAVEL ADVERTISING EXPENDITURES 1978

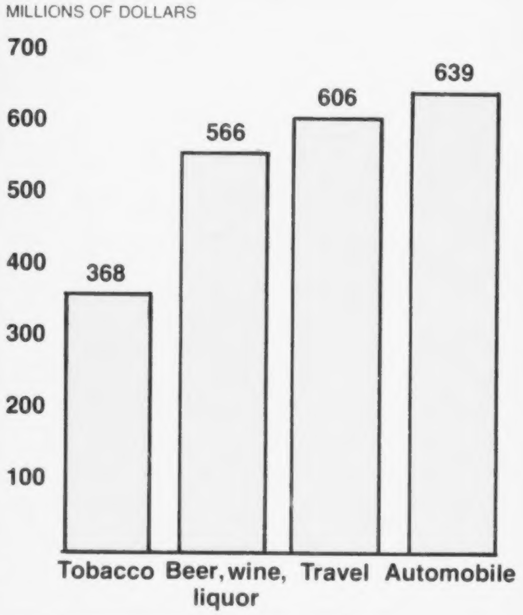


*Includes travel packages, travel agents, credit cards, and travelers checks.

Source: Media Records, NAB, LNA, RAB, TVB, OAAA, and Travel Market Yearbook

7-04

TRAVEL ADVERTISING VS. OTHER DISCRETIONARY PRODUCTS 1978



Source: Travel Market Yearbook

7-05

TRAVEL AD EXPENDITURES BY MARKET SEGMENTS 1977 VS. 1978 ($ Millions)

	1977	1978	Net Change%
Airlines	210.0	255.2	+21.5
Ships	25.0	25.3	+ 1.2
Railroads	11.1	10.6	− 4.5
Bus	10.0	11.4	+14.0
Rental Cars	33.4	31.6	− 5.4
Travel Services*	80.1	124.0	+54.8
Hotel/Motel & Resorts	123.4	148.4	−20.3
TOTAL	493.0	606.5	+23.0

**Includes travel packages, travel agents, credit cards, and travelers checks.*

Source: Media Records, NAB, LNA, RAB, TVB, OAAA, and Travel Market Yearbook

7-06

15 TOP TRAVEL ADVERTISERS MEASURED MEDIA 1977 VS. 1978

Rank	Advertiser (1977)	Advertiser (1978)
1.	American Airlines	United Airlines
2.	United Airlines	American Express
3.	Trans World Airlines	Delta Airlines
4.	Eastern Airlines	American Airlines
5.	Delta Airlines	Eastern Airlines
6.	American Express	Trans World Airlines
7.	Pan American	Continental Airlines
8.	National Airlines	Holiday Inns
9.	Continental Airlines	Pan American
10.	Visa	Mastercharge
11.	Holiday Inns	Hertz
12.	Braniff Airlines	National Airlines
13.	Hertz	Braniff Airlines
14.	Northwest Airlines	Visa
15.	Western Airlines	Western Airlines

Source: Media Records, NAB, LNA, RAB, TVB, OAAA, and Travel Market Yearbook

EVERY SEASON, 9 OUT OF 10 OF AMERICA'S SERIOUS SKIERS MAKE TRACKS TO THEIR FAVORITE PLACE.*

*9 out of 10 of all serious skiers who read a skiing publication read SKIING Magazine — source — the U.S. Skiing Market Survey Opinion Research Corp. 1978

SKIING® MAGAZINE

It reaches your best possible customers in the greatest possible numbers. Those talented skiers who are always looking for new mountains to conquer, new trails to blaze. And new products to purchase.

Readers of Skiing spend an average of $524 on ski trips annually. And $222 on equipment and skiwear. They take 10 ski trips per season. And you'll find them on the slopes 14 different days every year.

All told, 8 out of 10 buyers of quality ski equipment and apparel read Skiing. The only one you need when you need to reach serious skiers.

SKIING®

THE MAGAZINE FOR SERIOUS SKIERS

ZIFF-DAVIS PUBLISHING COMPANY, ONE PARK AVENUE, N.Y. 10016

SKIING Magazine
The Official ski publication
of the XIII
Olympic Winter Games

7-07

HOW TRAVEL ADVERTISERS ALLOCATE BUDGETS BY MAJOR MEDIA PERCENTAGE 1960-1978 DOLLARS

	Magazines		Newspapers		TV		Radio		Outdoor	
	1960%	1978%	1960%	1978%	1960%	1978%	1960%	1978%	1960%	1978%
Airlines	17.2	11.0	63.9	44.6	6.1	25.0	7.7	16.3	5.1	3.1
Ships	39.2	17.4	60.8	80.2	—	2.0	—	.4	—	—
Railroads	11.9	5.7	74.6	37.7	—	50.9	8.9	5.6	4.5	—
Bus	11.1	1.8	79.6	27.2	7.4	68.4	1.9	2.6	—	—
Rental Cars	24.4	18.7	36.6	27.8	19.5	53.2	7.3	.3	12.2	—
Travel Services	60.0	14.9	36.3	40.6	—	36.2	3.7	7.9	—	.4
Hotel/Motel & Resorts	20.9	38.4	66.6	36.9	2.6	16.4	5.6	2.1	4.3	6.2

**Includes travel packages, travel agents, credit cards, and travelers checks.*
(–) No expenditure or too small to measure.
Source: Media Records, NAB, LNA, RAB, TVB, OAAA, and Travel Market Yearbook.

7-08

15 TOP TRAVEL ADVERTISERS MEASURED MEDIA 1978

			Percent of total				
Rank	Advertiser	($000)	Newspapers	Magazines	TV	Radio	Outdoor
1.	United Airlines	36,999.9	35.2	6.1	48.1	10.0	.6
2.	American Express	31,540.4	.3	16.8	81.5	1.3	.1
3.	Delta Airlines	26,339.9	60.5	5.6	7.7	21.3	4.8
4.	American Airlines	25,038.8	40.8	5.4	39.3	13.6	.9
5.	Eastern Airlines	24,832.7	45.3	13.0	24.4	11.7	5.6
6.	Trans World Airlines	23,463.4	47.6	4.1	32.9	15.2	.2
7.	Continental Airlines	11,440.8	39.9	2.7	25.0	29.1	3.3
8.	Holiday Inns	10,875.9	—	24.8	64.0	.3	10.9
9.	Pan American	10,780.7	34.0	13.2	34.7	18.1	—
10.	Mastercharge	10,198.4	—	5.2	84.0	9.9	.9
11.	Hertz	9,560.8	—	11.7	87.6	.5	.2
12.	National Airlines	9,281.7	50.8	6.8	20.0	17.3	5.1
13.	Braniff Airlines	9,223.5	71.4	6.5	.1	20.0	2.0
14.	Visa	8,808.4	—	19.4	71.5	8.7	.4
15.	Western Airlines	6,755.0	55.8	8.3	9.7	24.4	1.8

(–) No expenditure or too small to measure.
Source: Media Records, NAB, LNA, RAB, TVB, OAAA, and Travel Market Yearbook

7-09

TOP 10 AIRLINE ADVERTISERS MEASURED MEDIA
1977 VS. 1978

Rank 1978	Advertiser	1978 ($000)	Rank 1977	1977 ($000)	% Change
1.	United Airlines	36,999.9	2.	26,100	+41.8
2.	Delta Airlines	26,339.9	5.	23,274	+13.2
3.	American Airlines	25,038.8	1.	32,489	−22.9
4.	Eastern Airlines	24,832.7	4.	25,039	− .8
5.	Trans World Airlines	23,463.4	3.	25,737	− 8.8
6.	Continental Airlines	11,440.8	8.	10,258	+11.5
7.	Pan American	10,780.7	6.	12,685	−15.0
8.	National Airlines	9,281.7	7.	10,361	−10.4
9.	Braniff Airlines	9,223.5	9.	8,358	+10.4
10.	Western Airlines	6,755.0	11.	6,104	+10.7

Source: Media Records, NAB, LNA, RAB, TVB, AAA, and Travel Market Yearbook

7-10

LEADING MAGAZINES IN TRAVEL ADVERTISING 1974-1978

(Pages)

1974	1975	1976	1977	1978
New Yorker 530.19	New Yorker 520.96	New Yorker 560.03	New Yorker 532.10	New Yorker 550.95
Sunset 358.79	Sunset 392.86	Sunset 392.36	Sunset 421.86	Travel & Leisure 428.87
New York 294.71	New York 318.31	New York 283.65	Travel & Leisure 327.98	Sunset 425.54
Travel & Leisure 284.02	Travel & Leisure 268.67	Southern Living 225.77	Southern Living 308.90	New York 353.65
Modern Bride . . 256.28	Southern Living 254.92	Travel & Leisure 225.77	New York 286.45	Business Week 350.50
Southern Living 233.92	Modern Bride . . 233.21	Modern Bride . . 218.12	Business Week 260.67	Travel/Holiday . . 308.47
Skiing 203.66	Business Week 194.07	Business Week 188.41	Travel 249.95	Southern Living 267.64
Time 178.19	Skiing 185.82	Skiing 178.95	Skiing 214.95	Skiing 243.00
Golf Digest 161.35	Ski 173.63	Newsweek 170.80	Modern Bride . . 212.98	Modern Bride . . 227.39
Ski 159.90	Travel 168.30	Travel 168.68	Newsweek 178.04	Newsweek 204.04
Newsweek 156.33	Time 167.65	Golf Digest 157.25	Time 178.03	Time 197.84
Business Week 146.52	Newsweek 153.10	Time 155.79	Ski 166.48	New West 177.11
Travel 145.66	Bride's 143.68	Ski 145.57	New West 157.99	Golf Digest 164.46
Bride's 142.68	Golf 142.92	Tennis 142.20	Golf Digest 148.39	Bride's 150.48
Field & Stream 118.77	Outdoor Life . . . 112.27	Golf 133.97	Golf 144.78	Ski 149.41
Outdoor Life . . . 113.49	Tennis 108.50	Bride's 125.95	Bride's 143.48	Golf 144.36
Golf 111.04	Skin Diver 98.34	Skin Diver 124.49	Tennis 128.18	Skin Diver 122.72
Sports Ill. 101.41	Sports Ill. 97.08	Outdoor Life . . . 106.47	Gourmet 116.51	Gourmet 120.61
U.S. News 94.13	Field & Stream 95.42	U.S. News 104.41	Skin Diver 109.11	Tennis 117.32
Tennis 93.70	U.S. News 93.29	New West 99.02	U.S. News 103.29	U.S. News 107.23

Source: LNA, Newsweek, Travel Market Yearbook

7-11

TOP 50 MAGAZINES IN TRAVEL ADVERTISING REVENUE 1978

Magazine	Total Revenue ($000)*
1. Time	$13,034
2. Newsweek	10,059
3. Business Week	7,026
4. Sunset	5,625
5. National Geographic	5,203
6. New Yorker	4,660
7. Travel & Leisure	4,515
8. Southern Living	3,817
9. Sports Illustrated	3,122
10. U.S. News	2,686
11. New York Magazine	2,470
12. Better Homes & Gardens	1,931
13. Golf Digest	1,908
14. Travel/Holiday	1,888
15. Modern Bride	1,653
16. Readers Digest	1,577
17. Smithsonian	1,499
18. People	1,474
19. Forbes	1,367
20. Fortune	1,345
21. Golf	1,261
22. Playboy	1,227
23. Gourmet	1,091
24. Ski	1,090
25. Brides	1,055
26. New West	1,000
27. TV Guide	919
28. Ebony	749
29. Tennis	703
30. Esquire	664
31. Womans Day	660
32. Signature	653
33. Outdoor Life	605
34. Scientific American	587
35. Glamour	577
36. Vogue	556
37. Saturday Review	537
38. Town & Country	530
39. Family Circle	459
40. Field & Stream	440
41. Skin Diver	405
42. Cosmopolitan	404
43. Black Enterprise	368
44. Redbook	362
45. House & Garden	339
46. Architectural Digest	316
47. McCalls	304
48. Psychology Today	280
49. Good Housekeeping	273
50. Essence	273

*Includes airline, rail, ship, bus, car rental, travel services, hotel, and institutional resort advertising.

Source: LNA, Newsweek

7-12

TOP 50 TRAVEL ADVERTISERS NEWSPAPERS 1978 ($000)*

Advertiser	1978	% Change from 1977
1. Delta Airlines	$15,947.0	+9.1
2. United Airlines	13,016.8	+65.7
3. Trans World Airlines	11,161.0	−10.8
4. Eastern Airlines	11,072.0	−2.7
5. American Airlines	10,204.0	−13.4
6. Braniff Airlines	6,582.0	+12.4
7. National Airlines	4,718.0	−16.1
8. Western Airlines	3,769.0	−6.1
9. Pan American	3,666.0	−28.0
10. Continental Airlines	3,330.0	+28.8
11. Holland America	3,294.4	+49.9
12. Northwest Airlines	3,134.0	−20.6
13. Amtrak	3,026.7	+44.5
14. Hertz	2,285.7	+143.9
15. British Airways	2,276.0	+7.7
16. North Central Airlines	2,264.3	+175.1
17. Princess Line	2,208.7	−15.7
18. American Express Tours	2,187.0	−11.8
19. Greyhound	2,050.6	+173.8
20. Cunard	1,792.4	−44.4
21. Allegheny Airlines	1,735.0	+34.5
22. Avis	1,695.9	+47.1
23. Sitmar Cruises	1,482.0	−19.0
24. Costa Line	1,456.8	−9.0
25. Liberty Travel	1,391.2	+1.1
26. Royal Viking Line	1,242.5	−4.5
27. Your Man Tours	1,217.5	+14.4
28. National Car Rental	1,206.9	+26.4
29. Japan Airlines	1,082.0	−17.8
30. Royal Caribbean Line	1,069.3	−6.8
31. Home Lines	972.3	+6.3
32. KLM	925.0	−13.7
33. Pacific Southwest Airlines	925.0	n.a.
34. SAS	908.0	+19.2
35. Frontier Airlines	814.0	n.a.
36. Air France	732.0	−3.4
37. Piedmont Airlines	704.0	n.a.
38. Mister Travel	698.0	+4.4
39. Maupintour	687.5	−4.4
40. Elkin Tours	681.9	−30.6
41. Empress Travel	675.2	+8.9
42. Mexicana Airlines	675.0	−6.9
43. Norwegian Caribbean Line	657.1	−34.6
44. Budget Rent-a-Car	656.6	n.a.
45. Air Canada	631.0	−22.0
46. Alitalia	590.0	n.a.
47. Eastern Steamship Line	589.1	−20.1
48. Westours	558.1	−32.7
49. Sunflight Holidays	553.6	n.a.
50. Trade Wind Tours	546.2	n.a.

TOTAL: $135,744.3 or 53.2% of all newspaper travel advertising.

*Excludes newspaper supplements. Figures for hotels, motels, and resorts not available.

Source: Media Records

7-13

TOP 50 TRAVEL ADVERTISERS MAGAZINES 1978 ($000)

Advertiser	1978	% Change from 1977
1. American Express	$4,858.2	+25.4
2. Eastern Airlines	3,406.7	+18.0
3. Canada Tourism	2,676.1	+4.6
4. Holiday Inns	2,515.1	+35.8
5. Bermuda Tourism	2,477.3	−.9
6. United Airlines	2,271.0	+64.2
7. National Car Rental	1,814.6	+7.6
8. VISA	1,702.5	+14.5
9. Ramada Inns	1,668.0	+15.6
10. Bahamas Tourism	1,617.0	+87.4
11. Western International	1,454.3	+10.9
12. Avis	1,421.1	+442.4
13. Pan American	1,420.0	−30.7
14. American Airlines	1,343.6	−29.9
15. Marriott	1,333.3	+576.6
16. British Airways	1,301.1	+70.5
17. Diners Club	1,231.1	+909.0
18. Best Western	1,218.5	+49.4
19. Playboy Hotels	1,187.2	−3.5
20. Hertz	1,146.7	+85.0
21. Hilton Hotels	1,085.7	+188.8
22. Ontario Tourism	1,045.2	+17.4
23. Mexico Tourism	995.6	+43.1
24. Trans World Airlines	987.8	−3.9
25. Lufthansa	976.7	+117.5
26. Air France	915.1	+75.6
27. Allegheny Airlines	906.2	−.2
28. Swissair	874.4	−7.4
29. Sheraton Hawaii	829.7	+19.6
30. North Carolina Tourism	803.9	+95.1
31. Northwest Airlines	791.3	+30.0
32. Japan Airlines	764.3	+33.1
33. Virgin Islands Tourism	741.8	+46.4
34. Hawaii Tourism	680.7	+198.7
35. Quebec Tourism	670.8	+115.0
36. National Airlines	629.1	+411.4
37. KLM	615.1	+23.5
38. Braniff Airlines	597.0	−55.2
39. Air New Zealand	590.5	+273.4
40. Hyatt Hotels	581.6	−44.1
41. British Tourist Authority	572.7	+165.1
42. Virginia Tourism	564.1	+138.0
43. Western Airlines	560.4	−5.1
44. Mastercharge	526.6	−62.9
45. Princess Line	506.5	+43.9
46. Cunard	475.0	−4.2
47. Las Vegas Visitors Bureau	470.4	−2.5
48. Jamaica Tourism	447.8	+3.9
49. Disneyworld	436.6	+3763.7
50. Delta Queen	434.9	+2108.1

TOTAL: $59,141.1 or 51.6% of all magazine travel advertising.

Source: LNA, Newsweek

7-14

TOP 50 TRAVEL ADVERTISERS* TELEVISION 1978 ($000)

Advertiser	1978	% Change from 1977
1. United Airlines	$17,780.0	+22.8
2. American Express	14,139.1	+3.4
3. American Airlines	9,844.0	+63.2
4. Mastercharge	8,563.2	+129.9
5. Hertz	8,434.0	+31.1
6. Trans World Airlines	7,710.0	+.2
7. Holiday Inns	6,950.0	+26.1
8. VISA	6,297.2	−14.4
9. Eastern Airlines	6,067.0	−12.7
10. Continental Trailways	5,220.0	+47.7
11. Avis	4,882.0	+17.7
12. Amtrak	3,802.0	−30.7
13. New York Tourism	3,788.0	+90.7
14. Pan American	3,736.0	+18.4
15. Continental Airlines	2,862.2	−14.3
16. Greyhound	2,618.0	−39.9
17. National Car Rental	2,381.0	+56.0
18. Hilton Hotels	2,369.3	−11.3
19. Delta Airlines	2,032.0	+16.6
20. National Airlines	1,858.0	−16.3
21. British Airways	1,636.0	−24.4
22. Allegheny Airlines	1,566.0	+19.3
23. Air Canada	1,497.0	n.a.
24. Sheraton Hotels	1,287.3	+15.9
25. Budget Rent-a-Car	1,134.0	n.a.
26. Bahamas Tourism	1,107.0	+411.5
27. Union Pacific	878.0	n.a.
28. Pacific Southwest Airlines	865.7	−8.1
29. Diners Club	809.7	n.a.
30. Jamaica Tourism	770.0	+95.1
31. North Central Airlines	667.5	+180.5
32. Puerto Rico Tourism	666.4	n.a.
33. Western Airlines	658.0	−10.9
34. Hughes Airwest	650.0	+47.3
35. Laker Airways	620.0	n.a.
36. Northwest Airlines	553.4	+74.0
37. Autotrain	552.0	+109.3
38. Qantas Airlines	546.0	−52.1
39. Georgia Tourism	537.6	n.a.
40. Marriott	518.0	−16.4
41. Israel Tourism	518.0	+70.3
42. Mt. Airy Lodge	494.3	+51.7
43. Carte Blanche	435.9	−21.0
44. Travelodge	421.0	n.a.
45. Playboy Hotels	388.3	n.a.
46. Greece Tourism	349.1	+18.3
47. Air California	343.9	+19.6
48. Mexico Tourism	299.0	+26.3
49. Silver Springs, Fla.	287.5	n.a.
50. Tennessee Tourism	281.0	+21.6

TOTAL: $142,670.4 or 87.2% of all television travel advertising.

*Network and spot.
Source: LNA

7-15

TOP 50 TRAVEL ADVERTISERS RADIO 1978 ($000)

Advertiser	1978	% Change from 1977
1. Delta Airlines	$5,613.7	+24.2
2. Continental Airlines	4,559.2	+16.4
3. United Airlines	3,706.4	+55.9
4. Trans World Airlines	3,570.4	−7.1
5. American Airlines	3,407.9	−28.3
6. Eastern Airlines	2,900.8	+11.0
7. Pan American	1,959.0	−17.9
8. Northwest Airlines	1,903.2	+28.1
9. Braniff Airlines	1,841.8	+82.6
10. Western Airlines	1,650.9	+164.3
11. National Airlines	1,607.6	−17.3
12. Canadian Tourism	1,556.3	n.a.
13. Mastercharge	1,006.7	n.a.
14. Ozark Airlines	987.6	+70.2
15. North Central Airlines	963.9	+223.1
16. Hughes Airwest	869.9	+533.1
17. British Airways	836.1	+10.2
18. Southern Airways	803.7	+78.9
19. VISA	767.0	n.a.
20. Michigan Tourism	652.4	+15.2
21. Amtrak	577.5	+63.8
22. Harrah's Hotel	565.3	+183.8
23. Qantas Airlines	453.8	+30.1
24. Piedmont Airlines	440.0	+97.8
25. SAS	438.5	n.a.
26. American Express	417.2	n.a.
27. N.Y. State Tourism	415.3	n.a.
28. German Tourism	408.7	n.a.
29. Hyatt Hotels	397.1	−38.7
30. Air Jamaica	353.8	—
31. Pacific Southwest Airlines	343.8	−49.7
32. Las Vegas Visitors Bureau	339.6	−59.4
33. Greyhound	328.8	+71.2
34. Travelodge	322.8	−8.5
35. Marriott Parks	262.7	−43.6
36. Quality Inns	253.5	n.a.
37. Ontario Tourism	253.0	n.a.
38. Continental Trailways	248.7	+42.8
39. Laker Airways	236.1	n.a.
40. Iran Air	226.3	−47.0
41. European Travel Commission	198.9	n.a.
42. Lufthansa	198.6	−8.1
43. Air California	197.3	n.a.
44. Mexico Tourism	191.2	n.a.
45. Japan Airlines	179.4	−11.2
46. Sheraton	174.5	n.a.
47. Reno Tourism	153.3	n.a.
48. Jamaica Tourism	151.3	n.a.
49. Frontier Airlines	150.5	n.a.
50. Swissair	140.6	n.a.

TOTAL: $50,182.6 or 90.4% of all radio travel advertising.

Source: Radio Expenditure Report

7-16

TOP 50 TRAVEL ADVERTISERS OUTDOOR 1978 ($000)

Advertiser	1978	% Change from 1977
1. Eastern Airlines	$1,386.5	+15.4
2. Delta Airlines	1,276.4	+7.3
3. Holiday Inns	1,180.5	−7.1
4. Howard Johnson	703.4	−16.2
5. Hilton Hotels	647.8	+33.6
6. MGM Grand	546.2	+373.2
7. Del Webb	526.8	+8.1
8. Sheraton	476.3	+8.0
9. National Airlines	469.4	+16.3
10. Hughes Airwest	439.0	+3.6
11. Harrah's Hotel	417.5	+11.3
12. Ramada Inns	416.7	−9.6
13. Hughes Hotels	392.3	+110.5
14. Continental Airlines	380.9	−8.5
15. Allegheny Airlines	345.8	−6.9
16. Piedmont Airlines	339.3	+44.4
17. Best Western	319.1	+16.9
18. Texas Int'l Airlines	318.1	−2.5
19. Southern Airways	302.3	+181.5
20. Southwest Airlines	289.3	+65.2
21. Ozark Airlines	268.0	+63.0
22. Pacific Southwest Airlines	257.2	n.a.
23. American Airlines	239.0	−32.1
24. Days Inns	234.1	+6.6
25. United Airlines	233.4	n.a.
26. Diners Club	228.2	n.a.
27. Frontier Airlines	222.3	+5.1
28. Braniff Airlines	184.3	+14.8
29. Quality Inns	174.0	+19.4
30. Aladdin Hotel	160.3	n.a.
31. Marriott	136.3	−9.3
32. Hyatt Hotels	132.2	−16.2
33. Argent Corp.	126.1	n.a.
34. British Airways	123.7	+30.5
35. North Central Airlines	123.0	n.a.
36. Reno Tourism	107.8	n.a.
37. Air Canada	105.3	+17.0
38. Mastercharge	101.8	n.a.
39. Caesar's Palace	100.4	−10.1
40. Kampgrounds of America	96.1	+3.9
41. Fitzgerald's/Reno	95.4	n.a.
42. Las Vegas Marina	92.5	n.a.
43. Travelodge	87.7	n.a.
44. Rodeway Inns	85.8	−8.6
45. Heavenly Valley/Tahoe	84.9	+43.4
46. Air France	82.8	+6.4
47. Union Plaza Hotel	82.4	n.a.
48. Canadian Pacific Airlines	77.7	−5.0
49. UTA French Airlines	76.1	−44.3
50. Tropicana Hotel/Las Vegas	70.7	n.a.

TOTAL: $15,363.1 or 87.8% of all outdoor travel advertising.

Source: LNA

1979 INDUSTRY NEWS HIGHLIGHTS

AIRLINE DEREGULATION ACT CELEBRATES FIRST ANNIVERSARY

In October of 1979, the Airline Deregulation Act became one year old. Its anniversary ended a 12-month period in which unprecedented freedom from bureaucracy enabled established carriers to change routes, schedules, and fares and new market entrants to offer competitive arrangements. For the most part, deregulation has resulted in better service. Scheduled airlines have added flights at more than 100 locations, and some 35 carriers inaugurated flights on 231 routes that had not been flown previously.

While a number of smaller cities in unprofitable markets have experienced cutbacks in scheduled service, they have been able to take advantage of new flights offered by commuter carriers. In the past year, over 60 commuter lines have been created to fill the void left by the bigger airlines.

Deregulation and its attendant competition led to reduced air fares, and about 50% of air travelers now utilize discount tariffs. At the same time, the availability of low cost flights created facility overloads at airports and airline reservations outlets as more people scrambled for bargain seats. Currently, the problems caused by higher fuel costs and economic recession make it difficult to assess whether deregulation will continue to produce profits for the nation's airlines. Still, the CAB is moving ahead with its policy of decontrol, planning to use 1980 to focus on airline/travel agency relations and an investigation into domestic commission structures, net fares, and ATC/IATA standards.

RISING FUEL COSTS PROMPT AIR FARE HIKES

The escalating costs of gasoline and jet fuel resulted in a change in travel patterns during 1979 that has yet to be fully measured. By October, the national average price for a gallon of gasoline was over $1.00, up 31.9¢ per gallon since January. Many people turned to bus, rail, and even air transportation, because they feared gas shortages on the road and at vacation destinations. Others cancelled holiday plans altogether.

Domestic and international airlines found that incredibly high fuel prices prompted them to file for repeated fare increases. As of September, the cost for fuel was up 72%, and carriers had raised standard coach fares by more than 25% since January. Furthermore, airlines were forced to cancel flights and reduce service on some routes because of spot fuel shortages. Carrier officials are now working on streamlining services in order to maintain healthy profit margins, although many suggest that air fares will go up by at least 20% in 1980. The cut-off of fuel from Iran in November of 1979 may create an even more drastic situation.

UNITED AIRLINES STRIKE RESULTS IN COUPON PROMOTION

United Airlines, the nation's largest carrier, was idled by a machinist's strike beginning on March 31 and continuing for almost two months. The strike caused the cancellation of 1,600 flights a day, and although the CAB acted liberally to allow other carriers to fill the gap, many communities suffered severe business losses and inconvenience. Hawaii was particularly hard hit, losing an estimated 15 to 20% in tourist volume.

Upon resumption of its service on May 28, United began a unique promotional program, giving half-fare coupons to passengers on flights operated by the carrier for the first two weeks following the strike. The coupons were good for travel at half price between July 1 and December 15 on any United route, and the airline gave out an estimated four million of them. American Airlines immediately matched the plan, handing out some two million coupons. The offers induced hundreds of passengers to take short flights and created a new business for entrepreneurs eager to buy and sell the transferable coupons. Other carriers have since used the half-fare plan as a promotional tool.

DC-10 GROUNDINGS AFFECT PEAK TRAVEL SEASON

The DC-10 was grounded for seven weeks after a May 25 American Airlines crash at O'Hare Airport raised serious questions about the aircraft's safety. The groundings created havoc for both domestic and foreign carriers as airlines tried to salvage peak period schedules with substitute aircraft. Still, hundreds of flights were cancelled, causing rerouting and rebooking turmoil for travel agents, airline reservationists, and passengers.

The FAA-ordered groundings also caused additional problems for United Airlines, a major DC-10 operator, which had just started to resume service after an eight-week strike as well as for several supplemental carriers who depended exclusively on the aircraft. Financial downturns suffered by major domestic airlines in the third quarter were partly attributed to the difficulties. In general, however, the public favorably accepted the return of the DC-10s to the air in late July.

U.S. HOSTS RECORD NUMBER OF FOREIGN VISITORS

Dollar devaluation against foreign currencies and new promotional air fares drew an estimated 20.5 million foreign visitors to the United States in 1979, a record number. The United States Travel Service predicts that the U.S. will count over $10 billion in receipts for tourist expenditures at destinations here and for transportation on U.S.-flag carriers. Forecasts for 1980 suggest that the United Kingdom will overtake Japan as the top overseas tourist-generating country and that alien air arrivals will exceed U.S. citizen departures by air before 1981.

USTS SUFFERS BIG BUDGET CUTBACK

Despite markedly increased receipts from foreign tourists in 1979, the U.S. government moved ahead to phase out the operations of the Commerce Department's United States Travel Service. President Carter approved a greatly reduced $8.5 million budget for fiscal 1980, and USTS was forced to cut its Washington staff from 75 to 30. The government-funded tourism organization is slated to go out of existence on October 1, 1980. At present, Rep. James Florio, chairman of the House transportation and commerce subcommittee, plans to introduce legislation that would establish a $9.5 million quasi-public tourism corporation. Such a corporation would initially require federal funding, but that would be phased out as private industry picked up the tab.

DEREGULATION SPARKS AIRLINE MERGERS AND NAME CHANGES

Airline mergers and name changes marked 1979, as regional carriers expanded route systems and supplemental airlines were granted scheduled service. Deregulation policies enabled Allegheny to extend service into western markets, prompting a name change to USAir which became effective on October 28. Trans International, a charter carrier which began regular service to Europe and gained permission to offer scheduled transcontinental flights, became Transamerica on October 1.

The CAB permitted North Central and Southern to merge into Republic Airlines on July 1, noting that a lack of overlapping routes between the two carriers would not hamper competition in the markets it served. The biggest news on the merger front was CAB approval of the linking of Pan Am and National Airlines. According to Air Transport Association figures, the merged carrier would be third in passenger revenues behind United and American.

TRAVEL AGENCIES AUTOMATE AT RAPID PACE

The number of travel agencies adding automated reservations and ticketing systems increased more dramatically than anticipated in 1979. Faced with greater operating costs and more confusing air fares, U.S. agencies were turning to computerized operations at the rate of 165 per month as of late August. Estimates put the number of automated agencies in the U.S. and Canada at over 4,000, with another 2,000 slated for installations. American Airlines, the current leader in reservations systems at travel agent locations, expects to double the number of Sabre agencies by the end of 1980, creating a total of 3,500 outside-users.

AMTRAK POSTS RECORD TRAFFIC

In a move to cut back its operating deficits, Amtrak eliminated 5,000 miles from its 27,000-mile route structure. Five routes covering 16% of the rail corporation's network were affected. Nevertheless, severe gasoline shortages and price hikes caused the traveling public to greatly increase usage of existing rail service. In the fiscal year ending September 30, 1979, Amtrak carried a record 21.5 million passengers, a 14% increase over the previous year. Revenues were the highest ever, totaling $381.3 million, a 22% gain. Amtrak also reported that its 6,300 travel agents accounted for over 19% of its business or over $62.5 million in ticket sales, a 52% rise above fiscal year 1978.

MARKET BRIEFS

AN ASSORTMENT OF FACTUAL DATA AND MARKET FORECASTS FROM MINI-SURVEYS, STATISTICAL REPORTS, AND TRAVEL INDUSTRY PUBLICATIONS.

According to a report released by the **Air Transport Association of America** in October 1979, $80 billion dollars will be needed by the nation's scheduled carriers for passenger aircraft to be delivered in the 1980's. The ATA has predicted that **U.S. scheduled airlines** will handle 225 million more passengers in 1990 than this year's anticipated 300 million passengers . . .

Federal Aviation Administration forecasters say that annual traffic growth in the aviation industry should slow to about 4.5% over the next 12 years. Commuter carriers will grow at a more rapid rate — about 6.2% — as deregulation opens markets formerly served by major carriers. By 1991, the commuters' share of the market is expected to double, going from 9.9 million enplanements in fiscal 1979 to 20.3 million . . .

The leading investment firm of **Janney Montgomery Scott, Inc.** revised downward its predictions of domestic airline earnings of $550 to $600 million for 1980. According to the revision, the figure may be $450 million, and the year could show traffic declines . . .

Figures released by the **Civil Aeronautics Board** revealed that **fuel costs** were increasing at a rate of 7% per month as of August 1979. If the trend were to continue, airlines would be hit with an 84% increase in fuel expenses in one year . . .

In the first nine months of 1979, airline earnings were down $580 million from the same period last year, despite a 13.5% gain in traffic. The **Air Transport Association**, which released these statistics, also noted that this 50% drop in earnings was attributable to the soaring cost of jet fuel, up 72% since the beginning of the year . . .

Earnings for 10 out of 11 **U.S. trunk carriers** fell almost 80% during the third quarter of 1979, from $558 million to $97.5 million, according to a compilation by **Aviation Daily.** For the first nine months of 1979, earnings were off by about 60% for the same 10 trunk airlines. The sharp declines were due not only to fuel prices but to the United Airlines' strike in the second quarter, the DC-10 groundings, and half-fare coupons used by United and American . . .

United Airlines chairman Dick Ferris has predicted that **air fares** will increase 50% between January 1979 and December 1980. Similarly, president C.E. Meyer Jr. of **Trans World Airlines** said that fares would go up 45% between April of 1979 and the same month in 1980 . . .

British Airways, which estimates that seven out of 10 of its passengers are **pleasure travelers,** has predicted that the proportion will grow to nine out of 10 in the next 10 years. The carrier has also estimated that the average passenger will pay 30% less for an international air ticket in 1986 if prices are measured in real terms . . .

According to statistics released by the **Air Traffic Conference,** the number of approved travel agents increased 12% during the first nine months of 1979 over the same period in 1978. In addition, airlines paid out $879 million in commissions for the first nine months of 1979, up 33%, and travel **agency airline sales** totaled $11 billion for the period, an amount not reached in 1978 until December . . .

The total number of **visitors to Hawaii** numbered 3,009,516 for the first nine months of 1979, up 10.1% over 1978. The increase was attributable primarily to arrivals from Japan. A leading Hawaiian economist has predicted a growth rate of 4 to 5% for visitors in 1980 . . .

Although total **visitor arrivals in Florida** were up only 1.3% for the first three quarters of 1979, the number of tourists arriving by air jumped nearly 19%, according to figures tabulated by the state's tourism bureau. Along with the rise in air arrivals, there was a 6.8% drop in those arriving by automobile. Florida tourism officials expect to make stronger efforts to attract **visitors from foreign destinations,** since 1978 statistics showed a 30% increase in air arrivals from foreign countries or 3.1 million tourists. Figures also indicated that foreigners spent more than twice the amount expended by the average domestic tourist . . .

The **Alaska Visitors Association** is forecasting a strong season for 1980 after noting that there was a statewide visitor increase of between 9 and 10% in 1979 versus 1978 . . .

Tourist spending in the **state of Arizona** totaled $3.8 billion in fiscal year 1979, up nearly 23% over the prior fiscal year. The rise was due to a jump in air travel that offset a drop in highway arrivals . . .

According to the **San Francisco Convention and Visitor's Bureau,** the average occupancy rate in the city's hotels and motels reached 90 to 100% during the summer of 1979. The California city currently offers 21,000 rooms . . .

Figures for the first nine months of 1979 show that 473,846 **tourists arrived in Bermuda,** an 8% increase over the same time span in 1978 and a 3.1% rise over the record year of 1977. While the number of cruise ship arrivals for September 1979 were down 11.6%, air arrivals surged by 10% . . .

Several **Caribbean destinations** expect to post record numbers of arrivals for 1979. **Barbados** forecasts a 10 to 15% increase above 1978's total of 316,000 visitors. **Jamaica** tourism officials foresee 600,000 tourists, an increase of 12% over 1978. **Haiti** has registered a 20% rise in arrivals for 1979, and the **U.S. Virgin Islands** recorded 490,000 cruise ship arrivals alone as of October 1979, 12% more than 1978 . . .

Although **Cuba** cautiously continues to encourage tourism from the U.S., the nation anticipates U.S. visitors to number 25,000 by the end of 1979. This compares with 15,000 Americans welcomed in 1978 . . .

Convention bookings in Montreal were up 12% in 1979, according to the **Montreal Convention and Visitors Bureau.** In addition, a 10% increase is forecast for 1980 . . .

Meetings, conventions, and incentive travel arrangements on the **Costa del Sol** were up 40% in 1978 over the previous year. The area's convention authority reports that 1979 is well ahead of 1978 and that firm reservations for business groups stretch into 1982 . . .

The **tourism office** in Israel anticipates that 25,000 hotel rooms will be available in the country by the end of 1979. In 1978, the nation boasted 24,000 rooms in 350 hotels . . .

Seeking funds from the World Bank for the development of tourist facilities, **tourism officials from Morocco** hope to double the current hotel capacity of 60,000 beds over the next five years. Although 112,000 Americans visited the country in 1978, a 10% share of the total number of visitors, Morocco feels there is a stronger market to be tapped . . .

Tourism officials in China have finalized plans to add 5,000 hotel rooms in Peking, Canton, and Shanghai over the next five years. This would mean a much welcomed increase in visa allotments for U.S. tour operators . . .

By the end of 1978, **Korea** was one of seven countries in the Asia/Pacific region whose visitor total exceeded the 1 million mark. Arrivals from the U.S. represented 13.5% of that amount. By 1983, the nation anticipates receiving 2 million tourists . . .

The **Pacific Area Travel Association** has noted that between 1968 and 1978, the number of visitors to the region increased from 4.8 million to 18.5 million, or about 14.6% annually. PATA expects arrivals to reach twice the 1978 figure by 1985 . . .

Because of the availability of new promotional air fares, the tourist bureau in **New Zealand** projects an increase in visitor arrivals from North America during the 1979/80 season. Officials forecast a rise of 12 to 15% to be recorded . . .

The **Tourism Authority of Thailand** has forecasted 1.7 million visitors for 1979, generating $450 million in receipts. The **Ceylon (Sri Lanka) Tourist Board** estimates a visitor total of 219,000 for 1979 and expects that number to reach 500,000 by 1985. This would translate into an annual growth rate of 17% for the country . . .

SECTION 10

APPENDIX

GLOSSARY OF TRAVEL TERMS AND ABBREVIATIONS

AAA — *American Automobile Association. AAA also operates AAA Worldwide Travel, a multibranch retail and wholesale travel agency organization.*

AAR — *Association of American Railroads. The trade association of U.S. railroad companies.*

ABC — *Advance Booking Charter. Eliminated by the CAB with the introduction of the Public Charter, but the term continues to be used by some foreign governments and people in the trade.*

ABTA — *Association of British Travel Agents.*

ABTB — *Association of Bank Travel Bureaus. A trade association of travel agencies operated by the U.S. banks.*

ACAP — *Aviation Consumer Action Project. A Ralph Nader organization that promotes consumer interests before Congress, the courts, the CAB, and other governmental agencies dealing with air travel.*

AH&MA — *American Hotel and Motel Association. A federation of state and regional lodging industry trade associations covering the U.S., Canada, Mexico and Central and South America.*

AITO — *The Association of Incentive Travel Operators. This is a national organization of travel firms whose major service is travel incentive programs for business and industry.*

ALPA — *Air Line Pilots Association.*

ALTA — *Association of Local Transport Airlines. A trade group of U.S. local service airlines.*

AMAV — *Asociacion Mexicana de Agencias de Viajes. An association of Mexican travel agents and tour operators.*

Amtrak — *The name under which the National Railroad Passenger Corporation operates almost all U.S. intercity passenger trains.*

ANTOR — *Assembly of National Tourists Office Representatives. A professional association of New York City-based executives of foreign government tourist offices.*

AOCI — *Airport Operators Council International.*

AP — *American Plan. A hotel rate that includes a bed and three meals.*

APEX — *Advance Purchase Excursion.*

ARTA — *Association of Retail Travel Agents. A trade association of American travel retailers.*

ASTA — *American Society of Travel Agents. The leading trade association of U.S. travel agents and tour operators.*

ATA — *Air Transport Association. The trade association of U.S. and Canadian (as associate members) scheduled airlines including international, trunk, local service, intra-Hawaiian and intra-Alaskan, helicopter and cargo carriers.*

ATAC — *Air Transport Association of Canada.*

ATC — *Air Traffic Conference. A division of the Air Transport Association entrusted with the establishment of standards and working agreements covering the way the domestic airlines deal with each other and the way that the domestic airline industry as a whole deals with international airlines and other segments of the travel industry including travel agents.*

BTA — *British Tourist Authority. The official government travel promotion agency of Great Britain.*

CAA — *Civil Aviation Authority. The agency which administers British civil aviation with responsibility for route licensing, safety standards and traffic control.*

CAB — *Civil Aeronautics Board. The federal agency which regulates international air commerce to and from the U.S. and U.S. domestic air commerce. The CAB has authority to license air carriers and exercise control over their routes and rates and their dealings with one another, other travel industry segments and the public. Safety is regulated by the Federal Aviation Administration.*

CATM — *Consolidated Air Tour Manual. A trade catalogue of tours and packages published annually by 18 U.S. and Canadian airlines in three editions.*

CEDOK — *Czechoslovakian Government Travel Organization.*

CGOT — *Canadian Government Office of Tourism. Official travel promotion agency of Canada.*

CHA — *Caribbean Hotel Association.*

Commuter Airline — *Scheduled carrier unregulated by CAB, limited by law to small aircraft.*

COTAL — *Confederation of Latin-American Tourist Organizations.*

CP — *Continental Plan. A hotel rate that includes bed and continental breakfast.*

CTA — *Caribbean Travel Association.*

CTC — *Certified Travel Counselor. A degree attesting to professional competence as a travel agent.*

CTO — *City Ticket Office. A carrier ticket sales office or counter located outside a terminal.*

CTRC — *Caribbean Tourism Research Centre.*

DATO — *Discover America Travel Organization. A non-profit association of companies and government organizations formed to promote travel to and within the United States.*

DET — *Domestic Escorted Tour.*

DIT — *Domestic Independent Travel.*

DOT — *Department of Transportation. The U.S. federal agency, headed by a member of the President's Cabinet, charged with developing and implementing policies designed to improve and regulate all domestic and international transportation facilities and organizations.*

DP — *Demi-Pension. A hotel rate including bed, breakfast and either lunch or dinner.*

DSM — *District Sales Manager.*

ECAC — *European Civil Aviation Conference. An association concerned with facilitating air commerce within Europe.*

EP — *European Plan. A hotel rate that includes bed only; any meals are extra.*

Eurailpass — *A European railroad pass sold for a flat rate for a specified number of days.*

FAA — *Federal Aviation Administration. The Department of Transportation agency that regulates U.S. civil aviation.*

FET — *Foreign Escorted Tour.*

FGTO — *French Government Tourist Office. The official French agency for the promotion of tourism.*

FIT — *Foreign Independent Travel.*

FIYTO — *Federation of International Youth Travel Organizations.*

FMC — *Federal Maritime Commission.*

FP — *Full Pension. Particularly in Europe, a hotel rate that includes three meals daily; an American Plan rate.*

GIANTS — *Greater Independent Association of National Travel Services. A sales and marketing cooperative of retail travel agents.*

GIT — *Group Inclusive Tour. A prepaid tour of specified minimum size, ingredients and value.*

GITX — *Group Inclusive Tour Excursion. British and Continental trade vernacular for group inclusive tour or GIT fare.*

GSA — *General Sales Agent. An agency or another airline named by an airline as its sales agent in a specific country or territory.*

HSMA — *Hotel Sales Management Association.*

IACA — *International Air Carrier Association. A trade association of supplemental airlines which operate internationally.*

IAMAT — *International Association for Medical Assistance to Travelers. A non-profit organization which maintains a worldwide registry of physicians who speak English and have taken medical training in the U.S., the U.K. or Canada.*

IATA — *International Air Transport Association. The world trade association of airlines which operate domestic and international services.*

IATAS — *Inter-American Travel Agents Society. A trade association of black travel agents.*

IATC — *Inter-American Travel Congress.*

IATM — *International Association of Tour Managers. A professional society of tour escorts.*

ICAO — *International Civil Aviation Organization. An organization of 124 governments which works in relationship with the United Nations to promote the safety of international civil aviation by standardizing technical equipment, services, and training.*

ICC — *Interstate Commerce Commission. A federal agency for the regulation and supervision of interstate commerce.*

ICCA — *International Congress and Convention Association. A European-based trade association.*

ICTA — *Institute of Certified Travel Agents. An organization concerned with developing and administering educational programs for travel agents.*

IDB — *Inter-American Development Bank. A lending institution sponsored by the U.S. and other governments charged with financing industries in underdeveloped Western Hemisphere nations.*

IHA — *International Hotel Association. A European-based trade association.*

IIT — *Individual Inclusive Tour.*

IT — *Inclusive Tour. A tour in which specific elements are offered for a flat rate.*

IT Number — *The code designation on an inclusive tour folder indicating that the tour has been approved by ATC or IATA.*

ITX — *Inclusive Tour Excursion. British and Continental usage for an inclusive tour fare.*

JATA — *Japan Association of Travel Agents.*

JNTO — *Japan National Tourist Organization. The official Japanese agency for the promotion of tourism.*

Local Service Airline — *A scheduled airline that serves a particular region of the U.S.; often called a regional airline.*

MAA — *Motel Association of America. A confederation of state trade associations of motel operators located in the continental U.S.*

MAP — *Modified American Plan. A hotel room rate including breakfast and either lunch or dinner.*

MCO — *Miscellaneous Charges Order. A document issued by an airline or its agent requesting the issue of a ticket or provision of services to the person named in the order.*

NACA — *National Air Carrier Association. The trade association of U.S. supplemental airlines.*

NATC — *National Air Transport Conference.*

NARP — *National Association of Railroad Passengers. A lobby group promoting the preservation and growth of rail travel.*

NPTA — *National Passenger Traffic Association. The trade group representing corporate travel managers.*

NTBA — *National Tour Brokers Association. A trade association of U.S. bus tour operators.*

NTSB — *National Transportation Safety Board. The agency that develops safety standards for all modes of public transportation and investigates accidents.*

NYTWA — *New York Travel Writers Association.*

OAG — *Official Airline Guide.*

Open Rate — *Refers to a situation in which the IATA airlines have failed to negotiate uniform rate on certain routes leaving each carrier free to set its own rates.*

ORBIS — *Polish National Travel Bureau.*

Package — *Loosely, any advertised tour. Often, however, a tour to a single destination which includes prepaid transportation, accommodations and some combination of other tour elements – meals, transfers, sightseeing, car rental, etc.*

PATA — *Pacific Area Travel Association. An organization of nations interested in promoting tourism throughout the Pacific and Indian Ocean areas.*

PATCO — *Professional Air Traffic Controllers Organization. A labor union of FAA traffic control employees.*

PTA — *Prepaid Ticket Advice. Notification (usually by teletype) from a carrier or agent in one city requesting a carrier in another city to issue prepaid transportation to a specified individual.*

PTM — *Passenger Traffic Manager. An employee who makes travel arrangements for other employees of his company.*

RPM — *Revenue Passenger Mile. One paying passenger carried one mile, a basic statistical unit in the airline industry.*

RSM — *Regional Sales Manager.*

SATO — *South American Tourism Organization. An association of nations interested in promoting tourism to South and Central America.*

SATW — *Society of American Travel Writers.*

SITCA — *Secretaria de Integracion Turistica Centro Americana. A promotional organization of Central American national tourist offices.*

Skytrain — *A type of service offered between New York and London and Los Angeles and London by Laker Airways.*

SNAVB — *Syndicat National des Agences et Bureaux de Voyages. French Association of Travel Agents.*

SNCF — *Societe Nationale des Chemins de fer Francias. The name used in France for the French National Railroads.*

SPACE — *Selected Professional Agents Coordinating Enterprises, Inc. A consortium of retail travel agents.*

Split Charter — *(1) An aircraft (motorcoach or ship) which has been engaged to perform a specific flight by two or more distinct legal entities. (2) That portion (40 or 60 seats, for example) of an aircraft engaged for a specific flight or flights.*

SRV — *Schweizerisches Reiseburo Verband. Swiss Federation of Travel Agents.*

SST — *Supersonic Transport. An aircraft capable of operating at a speed exceeding that of sound at an altitude of 45,000 feet.*

STOL — *Short Takeoff and Landing. Usually referring to an aircraft with such capabilities.*

TAPSC — *Transatlantic Passenger Shipping Conference.*

TIAC — *Travel Industry Association of Canada. A trade association embracing the entire range of Canadian travel and transportation and related industries and governmental organizations.*

Tour — *Any prearranged (but not necessarily prepaid) journey to one or more places and back to the point of origin.*

Tour Basing Fare — *A reduced-rate excursion fare available only to those who buy prepaid tours or packages.*

Tour Operator — *A company which creates and/or markets inclusive tours and/or performs tour services and/or subcontracts their performance. Most tour operators sell through travel agents and directly to clients.*

Tour Organizer — *An individual, sometimes a travel agent, who organizes a group of passengers to participate in a special, prepaid tour.*

Transfer — *Local transportation and porterage, as from a terminal to a hotel.*

Trunk — *Those U.S. domestic carriers with extensive route systems serving the larger communities all over the U.S.*

TTRA — *The Travel Research Association. A professional society of travel industry market research specialists.*

TWU — *Transport Workers Union of America. An AFL-CIO trade union representing many categories of U.S. airline employees but not pilots.*

UATP — *Universal Air Travel Plan. The credit card system originally organized by the U.S. domestic airlines but now recognized by all IATA airlines.*

UFTAA — *Universal Federation of Travel Agents Associations. A world organization of national travel agents trade associations.*

UPAV — *Union Professionelle des Agences de Voyages Belge. Belgian Association of Travel Agents.*

USTOA — *United States Tour Operators' Association. A nationwide organization of tour operators.*

USTS — *United States Travel Service. The official U.S. Commerce Department agency for the promotion of tourism.*

Visa — *An official authorization appended to a passport permitting travel to and within a particular country or region.*

Visit USA Fares — *Air tariffs offering visitors to the U.S. reduced fares on domestic travel.*

Wholesaler — *A company that usually creates and certainly markets inclusive tours and FITs for sale through travel agents. Often used interchangeably with tour operator, but several distinctions might be drawn: (1) a wholesaler presumably sells nothing at retail; a tour operator often does both. (2) A wholesaler does not always create his own products; a tour operator virtually always does. (3) A wholesaler is less inclined than a tour operator to perform local services.*

WTO — *World Tourism Organization. Formerly the International Union of Official Travel Organizations, now a United Nations affiliated organization of government tourist offices.*

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